INDIAN TARIFF BOARD

Cotton Textile Industry

Volume II

Views of the Local Governments, Collectors of Customs, and written statements submitted by Associations and Committees

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TABLE OF CONTENTS.

PAGE.

No. 341-T. (150).

GOVERNMENT OF INDIA.

DEPARTMENT OF COMMERCE.

New Delhi, the 9th April 1932.

RESOLUTION.

TARIFFS.

By the Cotton Textile Industry (Protection) Act, 1930, protective duties were imposed on cotton piecegoods for a period of three years in order to give the cotton mill industry in India temporary shelter against foreign competition. These duties are fixed at a lower rate on piecegoods of British than on those not of British manufacture. By the same Act the operation of the duty imposed by the Indian Tariff (Cotton Yarn Amendment) Act, 1927, was extended for a further period of three years on account of the unfair competition arising from the prevalence of inferior labour conditions in China. These duties will expire on the 31st March, 1933. An assurance was, however, given by Government to the Legislature, when the Cotton Textile Industry (Protection) Bill was under consideration, that before the termination of the three-year period the effect of the duties on the production of cotton piecegoods in India and on the Indian cotton textile industry would be examined in a Tariff Board enquiry.

2. Since the Cotton Textile Industry (Protection) Act was passed three noteworthy changes have occurred. In the first place, the rates of duty imposed on cotton piecegoods under the Act have been raised by two successive Finance Acts, and are now levied at a rate substantially higher than the Legislature found to be necessary to give temporary shelter to the indigenous industry. In the second place, a very large increase has occurred in the imports of piecegoods made wholly or partly of artificial silk, and the duties on such goods have been raised to the rates applicable to goods made wholly or partly of real silk. Finally, the Government of India have decided to discuss at the forthcoming Imperial Conference at Ottawa the question whether Great Britain and India should enter into a trade agreement embodying a preferential tariff regime so designed as to benefit the trade of both countries.

3. The Government of India consider that the Tariff Board enquiry should now be undertaken. The Board is requested to examine the following questions and to make recommendations:—

(1) Whether the claim of the Indian cotton textile industry to protection has been established;

(2) If the claim is found to be established, in what form protection should be given and to what extent;

(3) If it is proposed that protection should be given by means of import duties—

(a) whether the same rate of protection is required against the competition of goods manufactured in the United Kingdom as against the competition of goods manufactured elsewhere; and

(b) what rates of duty are recommended in respect of—

(i) cotton piecegoods,

(ii) piecegoods made wholly or partly of artificial silk, and

(iii) cotton twist and yarn, according as they are manufactured—

A. in the United Kingdom,

B. elsewhere.

In making its recommendations the Tariff Board will take all relevant considerations into account including that stated in part (b) of the Resolution adopted by the Legislative Assembly on the 16th February, 1923. In particular the Board is requested to consider how its recommendations will affect the handloom weaving industry.

4. Firms or persons interested who desire that their views should be considered by the Tariff Board should address their representations to the Secretary to the Board.

ORDER.—Ordered that a copy of the above Resolution be communicated to all local Governments and Administrations, all Departments of the Government of India, the Director General of Commercial Intelligence and Statistics, the Central Board of Revenue, the Indian Trade Commissioners, London and Hamburg, the Secretary, Tariff Board, the High Commissioner for India, London, His Majesty's Trade Commissioner in India, the Canadian Trade Commissioner in India, all Chambers of Commerce and Associations, the French Trade Commissioner in India, Burma and Ceylon and the Secretary, Imperial Council of Agricultural Research.

Ordered also that it be published in the *Gazette of India.*

(1) Questionnaire relating to the Cotton Textile Industry.

NOTE.—(1) Please confine your answers to matters with which you are directly acquainted and on which you are in a position to supply the Board with detailed evidence.

(2) Replies to the questionnaire (with six spare copies) should reach the Secretary, Tariff Board, Old Custom House, Bombay, not later than the 15th of July.

1. In his *Report on the Import Tariff on Cotton piecegoods and on external competition in the cotton piecegoods Trade* (1929, Calcutta: Government of India Central Publication Branch). Mr. G. S. Hardy examined in detail the extent and severity of the competition which the Indian Mill industry had to meet from imported piecegoods. His principal conclusions are summarised below. Please state how far, from your knowledge of the present condition of the Indian market and the Indian industry, you consider that these conclusions still hold good or should be modified. If you think that the conclusions should be modified, please give full reasons for your answer in each case and a detailed statement of such statistical evidence as you can produce in support of your opinion:—

(i) Only about one per cent. of the cloth returned as "Grey or Bleached" by the Indian mills is bleached (paragraph 8).

(ii) Calcutta is the principal market for grey cloth of Indian production, and 90 per cent. of the Dhutis and 65 per cent. of other grey goods are sold either on the Calcutta market or in the area served in respect of imports by Calcutta (paragraph 9).

(iii) Less than 30 per cent. of the coloured goods produced in the Indian mills are sold in the Calcutta area (paragraph 9).

(iv) Roughly 80 per cent. of the total output of piecegoods in the Indian mills and 75 per cent. of the output of Dhutis and shirtings are woven from counts below 25s. About 13 per cent. of the Dhutis and shirtings are woven from yarns 26s to 30s 9 per cent. from 31s to 40s and 3 per cent. from 41s and over (paragraph 10).

(v) The trade in Dhutis imported from the United Kingdom and the Indian mill production overlap only to a small extent in the region of medium counts (paragraph 12).

(vi) The imports of Dhutis from Japan consist almost entirely of goods woven from yarn of counts 30s and above (paragraph 12).

(vii) Competition in heavy shirtings from Japan reacts unfavourably on sales of Indian sheetings (paragraph 14).

(viii) Indian mills hold their own in the production of grey drills and jeans in which the demand is almost entirely for a heavy class of goods (paragraph 15).

(ix) There is little, if any, production of the finer classes of grey goods in India (paragraph 15).

(x) The import trade in white goods remains mostly in the hands of Lancashire and consists largely of goods whose fineness is above the limit at which production from Indian cotton is possible (paragraph 16).

(xi) Printed drills and jeans from Japan and printed shirtings from Japan and Italy compete with Indian woven striped shirtings. Fancy "Prints and Chintz" from the United Kingdom do not compete with any Indian product (paragraph 17).

(xii) Competition in dyed goods has not shown any increase since 1927 (paragraph 17).

(xiii) In colour-woven goods, the principal competition is from Japanese striped shirtings, twills and coarse drills (paragraph 17).

(xiv) The maintenance of the export trade in Indian coloured cloth suggests that competition is not as severely felt as in the grey goods trade (paragraph 17).

(xv) There is very little direct competition in coloured goods between the United Kingdom and Indian mills. The only serious external competitor is Japan, though Italy may become a formidable rival (paragraph 17).

(xvi) If allowance be made for fluctuations in the price of raw cotton, there has been no general reduction in the price of Japanese cloth since 1926-27 (paragraph 19).

(xvii) Over a range of cloth in which the cost of raw cotton per pound of cloth does not vary appreciably, the severity of competition increases with the price (paragraph 20).

(xviii) The fact that, area for area, fine cloth is often cheaper than coarse cloth causes indirect competition between imported fine cloths and locally made coarse cloths (paragraph 22).

(xix) A general movement of prices in any particular range of cloth is apt to react on the price of other cloths of an entirely different nature (paragraph 22).

(xx) Artificial silk yarn is being used to an increasing extent in the weaving of striped cotton goods and the borders of Dhutis. To this extent artificial silk yarn is an ally rather than a competitor of cotton (paragraph 22).

(xxi) The imports of artificial silk cloth and of mixed cotton and artificial silk fabrics are in competition with real silk goods rather than with cotton goods (paragraph 22).

2. Please prepare a statement of recent prices, if possible both (i) c.i.f. and (ii) wholesale market prices, of comparable classes of cloth imported from the United Kingdom and from Japan. It would assist the Board greatly if, besides recent prices, you could furnish also a statement of average prices for each year from 1926.

N.B.—It is important that the prices should relate to the same period in each case and that the goods of each class for which prices are supplied should, if they are not exactly comparable, be at least near each other in respect of dimensions, counts of warp and weft and reed and pick. These particulars should, if possible, be stated in each case. The list of piecegoods selected for the purpose should contain those classes of which considerable quantities are imported both from the United Kingdom and from Japan.

3. It has been suggested that in the case of Indian mill cloth woven from inferior counts of yarn, of which the bulk of the Indian consumption is supplied by the indigenous industry, the existence of internal competition prevents an excessive rise in prices relatively to imported cloth when additional import duties are levied. Do you agree with this suggestion? Please prepare a statement for the past five years showing the wholesale market prices at the beginning of each half year, of typical classes of Indian cloth woven from yarn falling approximately within the following counts:—

(*a*) 1s to 20s

(*b*) 21s to 30s

(*c*) 31s to 40s and

(*d*) 41s and above.

4. Is there generally any marked difference between the wholesale prices published by Millowners' Associations and the prices actually realised by

individual mills? Please support your answer by figures and explain the reasons for the difference, if any.

5. To what extent do the prices prevailing at important centres of production such as Bombay and Ahmedabad affect the general level of prices in the country? If, for instance, Bombay mills are compelled for any reason to cut prices, is it your experience that a similar reduction of prices occurs at other centres of production?

6. Are there any circumstances which in your opinion render it likely that if the protective duties were withdrawn in 1933 and there was in consequence a substantial decline in Indian production at certain centres, the deficiency would be supplied, if at all, only partially by increased production at other centres in India but mainly by a permanent increase in imports from other countries? If so, please explain what these circumstances are.

7. Please give the following information regarding freights:—

(i) the railway freight on raw cotton from the principal centres of cultivation in India;

(ii) the railway freight on cotton piecegoods from (*a*) Bombay, (*b*) Ahmedabad, (*c*) Calcutta and (*d*) Karachi to the principal piecegoods markets in Upper India;

(iii) the railway freight on cotton piecegoods from (*a*) Bombay and (*b*) Ahmedabad to Calcutta;

(iv) the steamer freight on cotton piecegoods from Bombay to (*a*) Calcutta and (*b*) Karachi;

(v) the steamer freight on cotton piecegoods from (*a*) Japanese and (*b*) United Kingdom ports to Indian ports.

8. Please explain what steps, if any, have been taken to develop the export market for Indian yarn and piecegoods since the publication of the Report of the Trade Mission to the Near East in 1928.

9. Please supply any information which you may possess on the following points regarding the handloom weaving industry:—

(i) Extent of the industry—number of weavers and of handlooms and approximate estimate of maximum and present production.

(ii) Principal classes of cloth woven and the extent to which they compete in the market with mill products and with imported piecegoods.

(iii) Approximate cost of manufacture of typical classes of cloth.

(iv) Prices realised for principal classes of cloth in 1929, 1930 and 1931 and current prices; prices of comparable classes of mill made and imported cloth at each period.

(v) Kinds of yarn used—Indian or foreign mill made or hand spun; counts of yarn; approximate proportion in which each is used; prices of different kinds of yarn.

(vi) Extent to which protective duties on cotton (*a*) yarn and (*b*) piecegoods will affect the handloom industry.

(vii) Effects, if any, on the handloom weaving industry of the existing import duties on artificial silk yarn and piecegoods.

10. Please supply any information which you may possess on the following points regarding the hand spinning industry:—

(i) The present output, as approximately estimated, of handspun yarn in India, and its distribution among the different provinces. Please explain how the output is estimated.

(ii) The main sources and qualities of raw cotton used.

(iii) The prices at which handspun yarn is sold and the prices of comparable classes of mill made yarn.

(iv) The cost of manufacturing handspun yarn.

(v) Whether handspun yarn is used entirely by handloom weavers or also by Indian mills; in the latter case, to what extent?

(vi) How far protective duties on cotton (*a*) yarn and (*b*) piecegoods will affect the hand spinning industry.

(vii) *Effects*, if any, on the hand spinning industry of the existing import duties on artificial silk yarn and piecegoods.

11. Do you consider that a decline in the output of Indian mills either generally or in particular lines of goods will adversely affect the Indian cultivator or cotton—

(*a*) by reducing the nett demand for Indian cotton, or

(*b*) by discouraging the growth of long staple cotton?

N.B.—In order to facilitate discussion, some considerations relevant to this question are indicated below. If there is a decline in the production of Indian mills as the result of foreign competition, it may be argued that it will be replaced mainly by imports from Japan which is the largest foreign purchaser of Indian cotton. There will therefore be little, if any, reduction in the nett demand for Indian cotton. On the other hand, it may be possible for Japan hereafter to draw its supplies of cotton increasingly from other sources. This may happen normally, but the danger is specially great whenever there is a break in the price relation between Indian and other cotton in the direction of a lowering of the latter. Such a break has apparently occurred at least twice during the past six years. Does the Indian cultivator normally realise a lower nett price for cotton exported than for cotton sold in India? If so, even if a reduced demand for cotton in India were followed by an increased demand from Japan, the nett earning of the ryot would be diminished. As regards the cultivation of long staple cotton, it is economically advantageous to the ryot to increase the area under improved varieties so as to meet the demand of Indian mills in respect of finer yarn. Nevertheless a stage may be reached when it may prove of doubtful advantage to the Indian cultivator to replace short by long staple cotton. Climatic conditions in most parts of the country favour the growth of short rather than long staple cotton. The former being to a large extent a monopoly of the Indian cultivator would probably give him in the long run a more dependable market.

12. To what extent is the raw cotton now imported into India of the same quality as Indian long staple cotton? Do you consider that the present import duty on raw cotton materially helps the Indian cultivator?

13. (*a*) Please state the most important classes of Indian mill made cloth —grey, bleached and coloured—which come into competition directly or indirectly with imported cloth.

(*b*) Please give the following particulars regarding any one kind of cloth included in each class which may be regarded as typical of that class:—

(i) Dimensions and weight.

(ii) Counts of warp and weft.

(iii) Reed and pick.

14. Please state the principal classes of imported cloth, giving the correct trade description in each case, which generally enter into competition, directly or indirectly, with each class of Indian cloth mentioned in reply to question 13 (*a*).

15. Please prepare a statement in the following form showing the total works expenditure at your mill or mills for each of the past five years:—

—	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
1. Labour inclusive of bonus and all allowances.					
2. Fuel and Power . .					
3. Water . . .					
4. Stores consumed . .					
5. Repairs and maintenance					
6. Supervision and office allowance and establishment.					
7. Insurance . . .					
8. Rent, rates and taxes (excluding income and super-tax).					
9. Packing . . .					
10. Selling expenses (showing separately expenses of sales through (*a*) agents and (*b*) shops)					
11. Other expenses incurred .					
Total output of cloth lbs. yards.					
Total output of yarn including both yarn used at the mill and yarn sold out. lbs.					

16. Please prepare a statement in the following form of the works cost at selected mills per unit of each typical kind of cloth mentioned in reply to Question 13 (*b*) for each of the past five years:—

—	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
1. Labour inclusive of bonus and all allowances.					
2. Fuel and Power . .					
3. Water					
4. Stores consumed . .					
5. Repairs and maintenance					
6. Supervision and office allowance and establishment.					
7. Insurance . . .					
8. Rent, rates and taxes (excluding income and super-tax).					
9. Packing . . .					
10. Selling expenses (showing separately expenses of sales through (*a*) agents and (*b*) shops).					
11. Other expenses incurred. Output of the particular kind of cloth. lbs. yards.					

N.B.—(1) The cost of raw cotton is excluded from the above statements.

(2) The following items of expenditure are also excluded depreciation, commission of managing agents, interest on working capital. These are referred to in subsequent questions.

(3) It is essential that the costs given should be those of mills possessing a reasonable degree of efficiency. It is therefore suggested that in the case of the Bombay and Ahmedabad Millowners' Associations, costs in the form prescribed should, if possible, be supplied for, say, five mills and in the case of other associations or bodies, for two or three mills, in their area of reasonable equipment, capacity and output. Particulars regarding the equipment, capacity and output of each mill should be stated. Not more than one mill should be selected from the same group. Individual millowners not represented by any Millowners' Association or other body are requested to fill up the forms in respect of their own mills.

(4) In the case of those items of expenditure which are not directly charged to each kind of cloth, the method by which the total expenditure at the mill is allocated among the different kinds of cloth should be explained. It will be obvious that unless the method of allocation is explained, it will be impossible for the Board to judge the accuracy of the costs given.

(5) The Board will undertake not to disclose the identity of the mills of which costs are supplied or to publish any figures given in reply to these questions, if it is so desired.

17. Please state—

(i) the average price realised *ex*-mill in each year during the past five years for each kind of cloth for which costs are given,

(ii) the most recent price realised *ex*-mill for each kind of cloth.

N.B.—The prices should be those realised by the mills of which costs are given. They should be nett prices realised *ex*-mill.

18. Please state—

(i) the average price per pound (delivered at mill) in each year during the past five years of raw cotton of the kind used in the manufacture of each kind of cloth,

(ii) the average price per pound (delivered at mill) in the current year of raw cotton of the kind used in the manufacture of each kind of cloth.

N.B.—The prices should be those actually paid by the mills of which costs are given.

19. Please submit figures, for the past five years, of profits or losses made by the mills of which costs are given in forward transactions in cotton, distinguishing those relating to hedging operations.

20. With regard to each kind of cloth for which costs are given, please state the percentage of wastage (i) of raw cotton in the manufacture of yarn and (ii) of yarn in the manufacture of cloth.

21. What is the additional weight given to each kind of cloth by the sizing and other materials normally used in its manufacture?

22. Please explain as fully as possible the reasons for the variation in the works costs since the year 1927 as shown in reply to questions 15 and 16. Details should be given regarding the progress, if any, in the efficiency of spinning and weaving operations.

23. To what extent are the present costs of manufacture higher than those shown for 1931 as the result of new or increased import duties on raw cotton and other materials and on machinery, increased railway freight, labour legislation or other causes?

24. Please prepare a statement, in the form shown in Question 16, of the present cost of manufacturing a typical class of Indian yarn competing with imported yarn.

25. Please state the current prices, if possible both (i) c.i.f. and (ii) wholesale market prices, of the principal classes of imported yarn which compete with Indian. Please state the prices realised by you for corresponding kinds of yarn spun in Indian mills.

26. To what extent are Indian mills in a position to manufacture yarn of the kind required for the manufacture of hosiery goods? What is the quantity supplied by Indian mills at present for this purpose?

27. What do you consider a reasonably economical size for a combined spinning and weaving mill in India? Taking the qualities in which competition is greatest, what is the normal annual capacity, stated in quantities of yarn and cloth, of a mill equipped on this scale?

28. Please prepare an estimate of the capital expenditure required for equipping and erecting a mill of this size in India, according to the prices of machinery, etc., prevailing (i) in 1928 and (ii) at present. The cost of (*a*) buildings and (*b*) plant and machinery should be shown separately.

29. What are the rates of depreciation allowed by the Income-tax authorities? Do you consider these rates reasonable in the case of mills working (i) single shift and (ii) double shift?

30. Please furnish figures for the past five years showing (i) the average value of the stocks of materials (including raw cotton) and of finished goods and (ii) the average outstandings in respect of goods sold.

31. Do you consider that sufficient facilities are available for borrowing working capital? What is the rate of interest generally payable?

32. Please state the amount annually charged by managing agents for (i) office allowance and expenses and (ii) commission during the past five years. Do you consider that these charges represent a fair standard of remuneration?

33. In addition to remuneration by commission on production or profit, do the Managing Agents of the mills of which costs are given, receive either directly or indirectly any allowance or commission on (*a*) purchases of cotton, machinery, stores, coal, etc., (*b*) sales of cotton, yarn and cloth and (*c*) insurance, advertisements, etc. If so, please state the rates at which such allowance or commission is charged.

34. (*a*) Please supply copies of the balance sheets for the past five years of the mills of which costs are given.

(*b*) Please supply also copies of the managing agency agreements of these mills.

35. (A) What are the directions in which you consider that by reorganisation of the labour conditions, processes of manufacture, management, system of purchases and sales, or finances of the industry, or in other ways, further reductions in the costs of manufacture may be effected?

(B) Please furnish as detailed an estimate as the data in your possession will permit of the extent of the economies which may be expected in the directions mentioned in reply to Question 35 (A).

N.B.—In replying to this question, reference should be made particularly to the following matters:—

(i) What steps can be taken to facilitate the introduction of the scheme of standardisation in respect of muster rolls and wages and to secure the co-operation of labour?

(ii) What steps can be taken to facilitate the adoption of efficiency schemes involving such measures as—

(*a*) the extension of the piece-work system to spinners and an increase in the number of spindles allotted to each spinner,

(*b*) an increase in the number of looms attended by a weaver,

(*c*) similar measures in the preparatory departments, and

(*d*) the adoption of automatic looms and other improved types of machinery?

(iii) What steps can be taken to secure further facilities for the technical education of mill operatives?

(iv) To what extent can the difficulties under which the mill industry labour be relieved by the specialisation of particular mills in the manufacture of particular kinds of cloth, what are the difficulties which have to be met before specialisation to the extent found to be desirable can be carried out and how are these difficulties to be overcome?

(v) Is the existing organisation of the mill industry satisfactory and to what extent can it be improved by amalgamation and grouping of mills so as to constitute larger units under one general control?

(vi) What measures can be taken to improve the existing system of management of the mills so as to reduce costs to the utmost and secure the highest degree of efficiency?

(vii) Is it desirable and practicable in the existing circumstances of the industry that the mills should bind themselves to regard depreciation as a first charge on profits?

(viii) What steps are necessary to bring about the writing down of capital in the case of those mills which have not already taken steps to that end?

(ix) Is it desirable that the mills should bind themselves to limit dividends until certain conditions have been satisfied?

(x) What steps (if any) should be taken by the Millowners' Association as an organised body to bring about—

(*a*) co-operation in the purchase of raw cotton,

(*b*) closer touch with the consuming centres in the interior of India,

(*c*) co-operative marketing of lines of cloth in general demand,

(*d*) co-operation in the export of cotton cloth?

(xi) What steps can be taken to bring about better relations between the mill management and the labour employed in the mills?

(xii) What steps have been taken to remedy or prevent the undesirable practices referred to by the Indian Tariff Board in 1927 in paragraphs 58, 79, 83 and 84 of its Report?

(xiii) What progress has been made since 1927 in securing sufficient technical knowledge among members of managing agency firms?

36. Do you consider that the development of the Indian Cotton Textile industry is hampered in any respect by the existing Company law in India? If so, what definite suggestions have you to make?

37. Do you consider that inferior labour conditions still prevail in the cotton textile industry in countries competing with India? If so, please estimate the advantage possessed by the Cotton industry in those countries over the Indian industry?

38. Have there been any developments in respect of bounties and subsidies, exchange depreciation or other circumstances subsequent to 1926 which call for a reconsideration of the conclusions stated in paragraph 35 of the Report of the Indian Tariff Board, 1927, regarding unfair competition on the part of countries competing with India?

39. If you consider that protection should be continued, please state (i) in what form, (ii) at what rates, (iii) for what period and (iv) against imported goods of what classes and countries of origin, protection should be granted in future?

40. If you think that protection should be granted in the form of specific duties, please state, in view of the difficulties pointed out by Mr. Hardy in Chapter VI of his report as regards the administration of specific duties on cotton piecegoods, what you consider to be the most suitable basis for such duties?

41. The present tariff on cotton twist and yarn has been fixed with reference to the advantage possessed in the first instance by Japan and subsequently by China in respect of inferior labour conditions. Do you propose any change in the present basis of the duty on yarn? Please explain fully the grounds on which your proposal is based.

42. Do you consider that the present tariff definition of "plain grey" piecegoods requires modification? If so, in what respects?

43. If you consider that protection is required against imported piecegoods made wholly or partly of artificial silk, please state (i) what duties you propose, (ii) the grounds on which your proposal is based and (iii) whether you consider the present tariff definition and grouping of artificial silk goods satisfactory (see Articles 100-A, 45-A and 133 of the Statutory Tariff Schedule).

44. If a case for protection is established, how far is it possible in your opinion to adopt a system of preferential duties on cotton goods imported from the United Kingdom consistently with the interests of (i) the Indian cotton textile industry, (ii) the Indian consumer of cotton goods and (iii) the general tax-payer in India.

45. Do you propose that any assistance should be granted to the industry by other means than tariffs? If so, please explain what your proposals are?

(2) Questionnaire relating to the Hosiery Industry.

1. What is (i) the total number of factories engaged in the manufacture of hosiery goods in India and (ii) the total number of labourers employed?

2. How many factories are worked (a) by power and (b) by hand?

3. Please give a brief description of (a) the plant and equipment of the hosiery factory or factories in which you are interested and (b) the methods of manufacture followed.

4. Please state the principal classes of hosiery goods manufactured by you and the approximate quantity of each class manufactured annually.

5. Please state in the following form the cost of manufacturing a typical class of hosiery goods for the latest year for which figures are available:—

Works expenditure per unit of typical class of hosiery goods.

(1) Yarn (stating quantity required per unit of hosiery goods).
(2) Other materials.
(3) Labour.
(4) Power and fuel.
(5) Repairs and maintenance.
(6) Supervision and office establishment.
(7) Packing and selling expenses.
(8) Miscellaneous.
Annual output of all classes of hosiery goods in your factory No./lbs.

6. What is the maximum capacity of your factory?

7. Please estimate the capital expenditure required for equipping and erecting in India a hosiery factory of reasonably economical capacity and equipment under present day conditions.

8. What are the rates of depreciation allowed by the Income-tax authorities? Do you consider these rates reasonable?

9. What are the current prices (i) c.i.f. and (ii) wholesale, at which imported hosiery goods comparable with your products are sold in India?

10. Please state the quantity of (i) Indian spun and (ii) imported, hosiery yarn purchased annually by you.

11. Are Indian mills in a position, if required, to supply the whole of the yarn consumed by you? Please specify the quality and kind of yarn required by you.

12. To what extent can you obtain in India the machinery or parts of machinery required for the manufacture of hosiery goods?

(1) Letter No. 170, dated the 22nd April, 1932, from the Secretary, Tariff Board, to All Local Governments.

The Government of India in their Resolution No. 341-T. (150), dated the 9th April, 1932, have directed the Tariff Board to enquire into the question of granting protection to the Indian Cotton Textile Indutry. A copy of the Press Communiqué issued by the Tariff Board is herewith enclosed. I am to state that the Board will be glad if the Government of

will communicate to the Board a statement of their views on the points mentioned in the communiqué and on any other matter relating to the enquiry which in their opinion it is necessary that the Board should consider.

2. I am to invite your attention particularly to para. 3 of the communiqué regarding the handloom weaving industry. It is of the utmost importance that in any recommendations which the Board may make as the result of this enquiry, the interests of the handloom weaving industry should be carefully considered. I am therefore to ask that the Government will be so good as to supply the Board with full particulars regarding the position of the handloom weaving industry in their province and the effects on the industry, if any, of the import duties introduced by the Indian Tariff Cotton Yarn Amendment Act, 1927, and the Cotton Textile Industry (Protection) Act, 1930. The following points are of special importance in this enquiry, on which the Board will be glad if detailed information may be furnished:—

(i) Extent of the industry—number of weavers and of handlooms and approximate estimate of maximum and present production.

(ii) Principal classes of cloth woven and the extent to which they compete in the market with mill products and with imported piecegoods.

(iii) Approximate cost of manufacture of typical classes of cloth.

(iv) Prices realised for principal classes of cloth in 1929, 1930 and 1931 and current prices; prices of comparable classes of mill made and imported cloth at each period.

(v) Kinds of yarn used—Indian or foreign, mill made or hand spun; counts of yarn; approximate proportion in which each is used; prices of different kinds of yarn.

(vi) Approximate estimate of the quantity of hand spun yarn produced in the province.

(vii) Extent to which protective duties on *(a)* yarn and *(b)* piecegoods will affect the handloom industry.

3. I am to request that the reply to this letter (with six spare copies) may be sent as early as convenient, if possible not later than the 15th of June.

(2) Letter No. 194, dated the 9th May, 1932, from the Secretary, Tariff Board, to All Local Governments.

In continuation of my letter No. 170, dated the 22nd April, 1932, regarding the Tariff Board enquiry into the Cotton Textile Industry, I am to ask that in addition to the points stated in para. 2, the effect on the handloom weaving industry, if any, of the existing import duties on artificial silk yarn and piecegoods may also be indicated.

Government of Assam.

Letter No. -F. (a), dated the June, 1932.

I am directed to refer to your letter No. 170, dated the 22nd April, 1932, regarding the grant of protection to the Indian Cotton Textile Industry and to give below the information asked for therein as far as possible. I

am to add that as no agency exists in Assam for collection of accurate and comparable figures, the statistics given cannot be closely relied on.

2. The handloom industry is merely subsidiary to agriculture in Assam and, as such, definite calculations of cost and profit cannot be arrived at; in fact the handloom production forms only a small part of the total consumption. Further the weavers have no fixed prices, and a good deal depends upon the local taste, which sometimes displays a preference for particular classes of goods, *e.g.*, hand woven goods from Madras.

3. (i) The number of handlooms in 1921 was 421,367 according to the Census. The present figures are not available. The total production is estimated at Rs. 1,80,38,400 a year.

(ii) Dhuties, Lungis, Saries, Napkins, Dusters, Gamchas, Mukcha, Selang Khania, Mekhela, Chaddar, Bedsheets, Shirtings, and Coatings, etc. These hand woven cloths find some difficulty in competing against mill products and imported piecegoods, although their production in certain localities gives them certain advantages there.

(iii) & (iv) The cost of production as well as sale prices vary in different localities. It is difficult to prepare a comprehensive price list for all the classes of cloths. The cost in the case of plain saries, dhuties and ordinary lungis is given below:—

1929.

	Cost of yarn. Per pair.	Sale price. Per pair.
1. Dhuties	Re. 1-8 to Re. 1-10	Rs. 2-6 to Rs. 2-10
2. Saries	Re. 1-10 to Re. 1-13	Rs. 2-10 to Rs. 2-12
3. Lungis	As. 14 to Re. 1	Re. 1-8 to Re. 1-12

During 1930 there was some reduction in the prices due to the fall in the cost of yarn and general trade depression. There was a still greater reduction during 1931 and the figures are given below:—

	Cost of yarn. Per pair.	Sale price. Per pair.
1. Dhuties	Re. 1-3 to Re. 1-5	Re. 1-10 to Rs. 2-2
2. Saries	Re. 1-3 to Re. 1-7	Re. 1-12 to Rs. 2-3
3. Lungis	As. 9 to As. 12	As. 14 to Re. 1-4

For mill goods the prices were as follows:—

Dhuties	Rs. 2-1 to Rs. 2-12 per pair.
Saries	Rs. 2-14 to Rs. 3-12 per pair.
Lungis	Not available.

(v) The amounts of yarn used are approximately as follows:—

(*a*) Fine counts 40s and upwards	1,350 bales	(Indian).
	1,350 ,,	(Foreign).
(*b*) Coarse counts 10s to 24s	12,900 ,,	(Indian).
(*c*) Khaddar or hand spun yarns 8s to 20s	1,200 ,,	

(vi) The production of hand spun yarn in this province is very small.

(vii) This Government are of opinion that protective duties on piecegoods will help the handloom industry much more than duties on yarns; in fact increase in the price of yarn will adversely affect the industry. The problems of handloom weavers in Assam are not similar to those of the other provinces. In this province there are only a few villages which depend mainly on weaving for their livelihood. Moreover, the inhabitants of some of them

engage in agriculture to a certain extent. Handlooms, however, play an impotrtant part in the homes of the people in the Assam Valley. Their importance would be further increased if their productions could be protected against mill made cloths.

In this province there is no cloth or spinning mill and the hand spun yarn produced is totally inadequate for the looms in existence. While the present conditions continue means should be devised to reduce the price of yarns so that hand made fabrics can comfortably compete with mill made goods. It may be necessary to reduce the present tariff duties on yarns so as to compel Indian mills to bring down their present prices of yarn in competition with foreign firms. In order to improve the conditions of the handloom weavers it is desirable to increase the duties on imported piecegoods of the class produced in this country.

As regards artificial silk, it is difficult to suggest rates of duties, but though artificial silk does not really compete with genuine Assam silk, yet it is preferable to have sufficiently heavy duties not to give it the slightest chance to jeopardise the silk industry of this province which is at present struggling for existence and needs organisation.

Government of Bihar ond Orissa.

Letter No. 214-D., dated the 14th June, 1932.

With reference to your letters Nos. 170 and 194, dated the 22nd April and 9th May, 1932, respectively, I am directed to enclose herewith a copy of letter No. 7418, dated the 10th June, 1932, from the Director of Industries, Bihar and Orissa, together with a copy of note prepared by the Textile Expert embodying the information desired by the Tariff Board. Six spare copies of the Director's letter and enclosure are also enclosed.

2. It has not been possible for the local Government to consider the Director's letter in detail and their observations on the same, if any, will be communicated to you at a later date.

Enclosure.

No. 7418.

From

D. C. Gupta, Esq.,
Director of Industries,
Bihar and Orissa,

To

The Secretary to the
Government of Bihar and Orissa,
Education and Development Department.

Patna, the 10th June, 1932.

Sir,

I have the honour to refer to your Memo No. 111-D., dated the 29th April, 1932, and submit herewith a note prepared by my Textile Expert embodying information desired by the Tariff Board.

The main problem in the forthcoming enquiry by the Tariff Board, in so far as the handloom industry is concerned, is to assess the extent to which the import duty on yarn and cloth has affected its interest. As far as the import duty on piecegoods is concerned there seems to be no dispute that it is equally beneficial to the mill industry as well as the handloom industry. The outstanding fact that emerges is that the Indian

mill production of piecegoods has advanced from an annual average of 2,176 million yards for the quinquennium 1925-1926 to 1929-1930 to 2,950 million yards in 1931-32 or an increase of approximately 36 per cent. Similarly, the product of the handloom industry has perhaps reached now 1,400 million yards per annum as against the annual average of 1,200 million yards for the quinquennium 1924-27 to 1928-29. We may, therefore, confine ourselves solely to the other question, *viz.*, the extent to which the import duty on yarn affects the prosperity of the handloom weavers. It may be noted here that this aspect of the question received very considerable attention in the course of debate in the Assembly in September, 1927, when the Government of India proposed that the 5 per cent. duty on cotton yarn should be subject to a specific minimum of 1½ annas a lb. Sir George Rainy on behalf of Government frankly admitted that this new imposition would undoubtedly tend to enhance the price of yarn consumed by the handlooms but sought to justify it on the ground that it was an emergent measure necessitated by the phenomenal dumping of Chinese yarn to which India was subjected during the months of April to July, 1927, which resulted in India's import of Chinese yarn reaching the astounding figure of 3 million lbs. as against only 14,000 lbs. during the corresponding period of 1926, while her export of yarn to China fell from 7 million lbs. for the same period in 1926 to a paltry 170,000 lbs. during the same months in 1927. That was undoubtedly a very serious matter and required prompt action by Government. It was, however, argued that the enhanced duty would not affect the handloom weavers to any great extent inasmuch as ⅞ths of the yarns used by the handlooms is of domestic origin and hence its price is governed, not by the imported yarn, but by the internal competition between the Indian spinners. It was further explained that the new duty would not affect the price of yarn of the finer counts, *i.e.*, over 40s. It was admitted, however, that the duty would affect the medium counts (31s to 40s) but as the total consumption of these counts by the handloom industry was estimated at 25 million lbs. per annum only as against its total consumption of yarn amounting to 320 million lbs. per annum the increase, which would amount to 9 pies per lb., would add a burden of only Rs. 12 lakhs per annum on the handloom industry. This incidence of burden distributed over an estimated annual outturn of 1,200 million yards was considered to be a trifling.

The foregoings, in brief, were the considerations which were put forward in support of the proposal.

An examination of the yarn production of the Indian mills reveals that there has been very remarkable increase in the domestic output. From a production of an annual average of 756 million lbs. for the quinquennium 1925-26 to 1929-30, it increased to 867 million lbs. in 1930-31, and to approximately 954 million lbs. in 1931-32 or nearly 26 per cent. In the matter of production of finer counts yarn *i.e.*, 31s to 40s and above 40s, the Indian production has made wonderful strides, the figures for 1928-29, 1929-30 and 1930-31 being 47, 61 and 87 million lbs. respectively. The estimated output for 1931-32 is over 100 million lbs. These may be compared with the pre-war (1913-14) production of 22·5 million lbs. The import of these counts for the periods 1927-28, 1928-29, 1929-30, 1930-31 was 35, 29, 29, 15 million lbs. respectively as against 31 million lbs. for 1913-14. These are unmistakable signs that the Indian mills are striving hard to produce finer cloths, a class in which the import trade was predominant. An authority has calculated on the basis of 7 lbs. of yarn to 8 lbs. of cloth and 8 yds. to a lb. of cloth that the production of finer goods out of domestic yarn only, in 1931-32, would amount to 31 per cent. of the total production of cloth for that year. The following extract from the annual report for 1930-31 of His Majesty's Senior Trade Commissioner in India and Ceylon will serve to emphasize the significance of these facts:—

"It will be remarked that just under 90 per cent. of the total Indian mill production is still in counts below 31s (mainly in 20s, 21s, 22s, 24s and 30s). A slow tendency towards finer spinning has been evident for

some years. This has received a decided impetus during the past year. The production of 31s to 40s rose from 46 to 60,000,000 lbs., while production of yarn above 40s nearly doubled from 15 to 27,000,000 lbs. Generally speaking, the Indian mills are likely to continue the production of those counts which can be spun from Indian cotton. The Indian Tariff Board expressed the opinion that little if any cotton grown in India was suitable for spinning twist finer than 36s of weft yarn finer than 40s and that about 19 per cent. of the Indian crop was suitable for spinning twist from 30s to 36s and weft from 31s to 40s. The past year, however, has witnessed a very great expansion in the imports both of American and particularly Egyptian cotton. Imports from the United States of America rose from 1,689 to 9,756 tons and those from Egypt from 511 to 21,343 tons. The more recent heavy fall in raw cotton prices and consequent reduction of the parity between the prices of American and Indian cottons is likely to give a further stimulus to the imports of American and Egyptian cotton and also to the spinning of finer counts. Ahmedabad has recently led the way in this connection. In 1930-31 no less than 20 per cent. of the total production of the Ahmedabad mills was in counts above 30s and 8 per cent. in counts above 40s The production of yarns above 40s rose from 6 to 10,500,000 lbs. last year. The newer mills in Ahmedabad are being equipped with the most modern high draught, tape driven, ring frames purchased from Lancashire textile machanists at the very low prices now ruling. Four new mills were started in Ahmedabad during the year and a further five cotton spinning companies have been registered since March, 1931."

This rapid changeover to finer cloth by the domestic mills has an important bearing on the figure of the handloom industry. Mr. G. S. Hardy in his remarkably comprehensive "Report on the Import Tariff on Cotton Piece *Goods*" makes the following significant remark:—

"Area for area a fine cloth may be less expensive than a coarse cloth and a purchaser who requires a piece of cloth for a particular purpose generally requires a definite area and not a definite weight. Thus he may buy the finer cloh merely because it is cheaper whereas he would prefer the coarse cloth he could get it at the same price, because it is more durable and better suited to his purpose."

India, it is well-known, is primarily a price market. Even in normal times the demand is for cheap goods rather than quality goods. In times of severe economic distress like the present this characteristic of the Indian demand is undoubtedly further accentuated. The initial low price of the finer cloth is, therefore, an added attraction for the Indian consumer apart from the preference it ordinarily receives with the general rise in standard of living of the people and due to normal change in fashion and taste. It seems, therefore, axiomatic to say that if the handloom industry is to hold its own it must take note of this important factor and turn to the weaving of increasing quantities of finer counts instead of coarse counts. It needs only to be added that this aspect of the question was fully recognized by the Department of Industries long ago and we have taken concerted measures to educate and encourage the weavers in Bihar and Orissa to weave finer counts in our handicrafts institutes as well as by our peripatetic demonstration parties with very striking success.

It is necessary now to examine the propriety of levying an import duty on cotton yarn and its effect on the regulation of its price to the handloom industry. Para. 116 of the Report on the Indian Fiscal Commission may be perused in this connection. The Commission found themselves unable to come to any clear decision in the matter and recommended that the question of continuance of this duty should be investigated and reported upon by the Tariff Board. The Board's conclusion on this point is summarized in para. 20 of their Report, 1927. It need only be pointed out that the majority of the Board were definitely against the imposition of an additional duty on yarn "in view of the effect it would have on the

handloom industry which in 1925-26, ... supplied about 26 per cent. of the total consumption of cloth in India" (*vide* para. 92 of the Report).

There appears to be considerable loose thinking in appraising the value of the Indian handloom industry. Many people seem to think that this industry, indeed all such traditional handicrafts are separate, wholetime occupations, devoid of any correlation with that all-important industry of the country, *viz.*, agriculture. This is entirely fallacious and it requires very little argument to demonstrate the thesis that when viewed from this narrow conception of their raisen d'etre much of the very sound and convincing arguments which can be advanced for their conservation and sustenance by the State might lose force. An illustration might serve to explain the point better. Assuming that there are 2½ million handlooms in India and their annual outturn is 1,400 million yards, the annual output per loom comes to only $\frac{14,000}{25}=560$ yards which is less than 2 yards a day! Looked at from another point, namely the output per head of people stated to be engaged in the industry, the figure is $\frac{1,400}{5}=280$ yards a year or less than a yard a day! If viewed as a wholetime occupation for the people, even the most sentimental effusion in its favour cannot alter the fact that hand weaving as a wholetime occupation cannot yield a living to the weavers. There would be as much sense in adhesion to such slow and unproductive method of manufacture as in substitution of other modes of rapid transit by ox-carts everywhere, in India. On the other hand, as an industry or occupation ancillary to agriculture hand weaving is entirely in its proper place. In fact, without suitable spare-time occupation for the farmers agriculture itself will be impossible which would mean inviting anarchy and revolution in the country as inevitably as elsewhere. The extent to which these cottage-crafts, therefore, serve as "unemployment insurance" for the agricultural masses and thereby as stabilizer of the socio-economic life of the country should be properly understood and no action, which is likely to disturb this equilibrium should be permitted unless it can be proved, beyond a shadow of doubt, that the disintegration of these traditional crafts will usher in an era of more intensive and rapid industrialization of the country or that these ancient enterprises run the risk of becoming "sweated" industries and thereby serving to depress, instead of ameliorate, the lot of the ryots. This, I fear, cannot be said of hand weaving resting, as it does, on the accumulated skill of countless generations which the hand weavers have inherited and producing articles which meet one of the prime essentials of mankind, *viz.*, clothing, instead of serving merely to waste valuable raw materials by turning out worthless trifles which nobody really needs or wants. In short, its practical value, economic, social, and educational, in a country like this is so clear and insistent as to render further comments superfluous. The imposition and enhancement of an import duty on yarn which is the one essential raw material for the handloom industry for the sake of benefiting only a section of the mill industry undoubtedly inflicts grievous hardships on the vast masses of the rural population.

I am in full sympathy with the view that this country should be rendered independent in the matter of its essential requirements in clothing as well as other manufactured commodities. This desired goal can, however, be best achieved by the industries adopting and emulating all that is best in other advanced countries with such measures of active support by the State as the exigencies of the economic situation from time to time demand.

In conclusion, the point of view which I should like to stress is that if the extraordinary situation caused by phenomenal dumping of Chinese yarn in India in 1927 was justification for the imposition of enhanced import duty on yarn, the present unprecedented depression should serve to furnish equal justification for its abolition now. The catastrophic fall in the prices of all primary produce has left the vast agricultural masses of the population in a state of penury and economic exhaustion which can be better imagined than described. This then is the most opportune time

to give the handloom industry all the fillip that it reserves, not because it is an important industry by itself but because of its beneficial influence on the mainstay of the economic life of the country which is agriculture.

I have the honour to be,
Sir,
Your most obedient Servant,
(Sd.) D. C. Gupta,
Director of Industries.

Position of handloom industry in Bihar and Orissa.

(I) *Importance and magnitude of the industry.*—The handloom industry in India is the most important of all the Indian handicrafts both in respect of the value of the output and the number of persons employed. It is estimated that there are nearly 2¼ millions of handlooms in India producing over 50 crores of rupees worth of cloth per annum. These hand weavers scattered all over the country consumed during the last 5 years 325 million pounds of yarn per annum—mostly of Indian mills and supplied nearly ⅓rd of the requirements of the people in clothing.

Hand weaving forms an equally important cottage industry in Bihar and Orissa supporting 4 lacs of persons. Most of them live in villages and do a little of cultivation during the rainy season. As per census report of 1921 there are 163,100 looms in this province (including 34,700 in Feudatory States of Orissa). As per rail-borne trade statistics compiled in this province up to 1922-23 the weaving industry in this province consumed per annum on an average 22½ million pounds of yarn spun mostly in the Indian mills. Since there has been an increase of 23 per cent. in the consumption of mill spun yarn by the hand weavers of India in the course of the last ten years, the weavers of Bihar and Orissa probably use to-day about 28 million pounds producing at least 130 million yards of cloth. At the present low market rates for cloth, the annual output of handlooms in this province is estimated at over 4 crores of rupees, about half of which represents the weavers' earnings.

On account of the primitive and inefficient organisation for financing the trade and marketing of the goods, the universal use of crude and laborious appliances and processes of manufacture adopted by the weavers, the absence of up-to-date knowledge of dyeing and the weaving of patterns, to suit the changing tastes of the people and various other causes, which can be remedied, the earnings of the weavers are not commensurate with the labour and time devoted by them.

(II) *Classes of goods woven.*—The following are the principal classes of cotton goods woven in Bihar and Orissa:—

(a) "Motia" saries, dhoties and thans (pieces of 12 yds. × 32") woven out of coarse yarn of 7s to 16½s counts are largely purchased by the rural population and the aborigines of the Chota Nagpur and the Santal Parganas and form nearly two-thirds of the local production of hand woven goods. Although the mills do not generally manufacture identically similar fabrics—except "Khader" which both the Japanese and Indian mills recently started weaving, large quantities of grey chaddars, "markin", saries, dhoties, shirtings, etc., woven in mills of slightly finer counts, are being sold in this province and the demand for the local "Motia" cloth is declining.

(b) Grey goods of medium quality such as dhoties, gamchas and saries, woven out of 20s to 40s counts of yarn, are largely woven in Orissa, and by the Bengali "Tantis" of the Santal Parganas and some of the "Jolahas" of Bihar. It is in this class of goods that the hand weavers feel the effects of direct competition both from foreign and domestic cotton mills. The production of these staple goods is steadily increasing, as it

ought to be, in case the handloom industry is to continue to exist in India along with its agriculture.

(c) Grey and coloured saries of Orissa (of medium counts of yarn) are the products of a highly skilled handicraft and cannot be produced by the mills. In spite of the artistic beauty of their designs which are typically Indian, the demand for these goods of unique workmanship is slowly falling off and the fine textured and better finished saries of foreign manufacture are taking their place particularly in urban areas.

(d) A few pieces of fine "Butta" muslins and saries are being woven out of English yarn of 80s counts and above, but the trade in these goods is fast declining due to change of fashion and high cost of production.

It is only in the weaving of such goods as "Kol" and "Santal" saries of very coarse texture and the grey and dyed fabrics of Orissa, that the hand weavers of this province may be said to be free from power loom competition. But the market even for these goods along with that for other hand woven fabrics is invariably controlled and regulated by the prices of mill products and imported piecegoods.

Although there is a large weaving population in this province, capable of weaving practically the entire requirements of the people in clothing, over 7 crores of rupees worth of mill woven cloth, both foreign and domestic, was imported annually about a decade ago (as per rail-borne trade statistics compiled in this province up to 1922). Since then the imports of these goods must have increased, with the increase of population and higher standard of living.

(III) *Cost of manufacture.*—The weavers in this province buy their yarn either with their own or borrowed capital, convert the same into cloth with the help of his family members and sell the woven goods direct to the consumers in villages. The difference between the cost of yarn and that of cloth represents the earnings of the whole family of the weavers. As such, no regular system of costing, as it is understood in organised industries, is adopted in handloom industry. The following analysis of the cost of some of the typical classes of fabrics will give an idea of the cost of weaving and marketing of the goods:—

Particulars of cloth.	Weight.	Length.	Width.	Counts, warp and weft.	Cost of yarn.	Weavers' earnings.	Retail selling price.
					Rs. A. P.	Rs. A. P.	Rs. A. P.
ORISSA.	Lb. oz.	Yds.	Inch.				
Dhoties of 40s Japanese yarn.	1 8	10	44	40s × 40s	1 3 0	1 4 6	2 8 0
Dhoties of Japanese yarn.	0 12	6	44	40s × 32s	0 9 0	0 10 0	1 3 0
Coarse grey saris of Indian yarn.	1 4	4¾	40	Double 19s × 10s.	0 8 9	0 11 3	1 4 0
"Gamchas" . .	0 14	5	34	20s × 20s	0 7 6	0 6 6	0 14 0
BIHAR.							
"Motia" Thans . .	5 0	24	36	18½s × 16½s	2 4 0	1 8 0	8 12 0
Dhoties . . .	1 6	10	42	40s × 40s	1 1 0	0 13 0	1 14 0
"Motia" Thans (Patna)	5 0	24	32	16½s × 10½s	2 0 0	2 0 [illegible]	4 0 0

From the above, it will be seen that when the weavers sell their cloth direct to the customers, they earn from 5 annas per lb. of "motia" cloth of coarse counts, to 14 annas per lbs. of 40s counts of yarn. It is on account of the present unusual demand for swadeshi cloth, that the weavers are able to get such good prices for their cloth as mentioned above.

(IV) *Prices of cloth.*—The following are the average prices of some classes of hand woven cloth for the three years, 1929, 1930 and 1931:—

	1929.	1930.	1931.
	Rs. A.	Rs. A.	Rs. A.
Madhubani dhoties of 40s yarn, 10 yds. × 44″ × 1¼ lbs.	3 4	3 0	2 8
"Motia" cloth saries, 12 yds. × 42″ × 3 lbs. . .	4 8	4 0	3 2
"Patna" Lungi (coloured)	5 11	4 0	3 2
"Motia" dhoti (Jamui) .	6 14	5 12	4 4

(V) *Kind of yarn used.*—Over 75 per cent. of the yarn used in this province (or about 21 million lbs.) is of course counts varying from 7s to 16½s. In the Chota Nagpur and the Sambalpur district, the Empress Mills of Nagpur have practically a monopoly of the yarn market. The Cawnpore mills and a few mills near Calcutta supply the markets of Bihar with yarn of 10s counts and above (up to 20s). In the three coast districts of Orissa, yarn of Bengal mills is largely used.

Japanese grey yarn of 20s, 32s and 40s is sold in Orissa, and in a few weaving centres of Bihar. 30s and 40s yarn of Madura mills, though not of such good quality as that of Japanese yarn, is also finding a sale. The Empress Mill yarn of the same counts is found to be too expensive for the local market.

A few bundles of English yarn of 80s and finer counts are sold at Biharshariff and in a couple of weaving centres of Orissa for the manufacture of muslins and high class saries and dhoties.

About 1,000 bales of yarn, spun out of waste cotton in the mills of Cawnpore, Calcutta, Bombay are imported annually at Patna and sold to the durrie weavers.

As it is customary for both men and women in this province to wear grey cloth the proportion of coloured yarn to grey yarn, used by the weavers is very small and may be estimated at less than 1 per cent. Turkey red yarn of 20s and 40s counts required for the borders of "saries" is mostly supplied by the Indian mills. Orissa consumes a small quantity of English coloured yarn of 40s counts in orange, lemon, turkey red, green and violet shades. Aniline black yarn used is generally of Indian mills.

Japanese mercerised yarn, both grey and bleached of 2/64s and 2/80s counts is purchased by the silk weavers of Bhagalpur to weave the same with either reeled tassar or spun silk in the production of shirtings, coatings and saries.

Some of the Ahmedabad mills supply 2/20s and 2/30s grey yarn for the ball thread winders of Patna City, who bleach the yarn and wind the same into sewing thread balls for the local market.

The retail rates for yarn in May, 1932, are given in the appendix.

(VI) *Hand spun yarn.*—As per census of 1921, there were about 27,000 hand spinners in this province. It is difficult to estimate the output of hand spun yarn but the same is certainly negligible when compared with the quantity of mill spun yarn consumed by the hand weavers. The All-India Spinners' Association in their annual report for 1927-28 stated that "khaddar" worth Rs. 2,12,441 was woven in that year by 7,420 spinners and 272 weavers in 457 villages of this province.

(VII) *Protective duties.*—In the written statement of the Textile Expert to the Government of Bihar and Orissa, dated the 20th October, 1926 submitted to the Tariff Board appointed for the purpose of enquiring into the condition of the cotton textile industry of India, it was stated that

while the hand weavers welcomed the increased import duty on piecegoods, the imposition of an import duty on yarn would be detrimental to the interests of handloom industry. The Government of India in their subsequent communiqué stated that as only half of our imports of yarn which was estimated at 52 millions ibs. per annum was consumed by the handloom weavers representing only a fraction of the total quantity of the yarn consumed by them, the hand weaving industry was not likely to be seriously affected by this duty.

The loss to the hand weaving industry has, however, been to the extent of not only the duty paid on the yarn imported and used by the hand weavers, but to the extent of corresponding increase in the price of every pound of Indian mill yarn purchased by them. For, in sympathy with the higher price for imported yarn which forms hardly 10 per cent. of the total requirements of hand weavers, the price of local yarn naturally has gone up. The immediate effect of this duty, which at present market prices for yarn is equivalent to about 25 per cent. of the cost of coarse counts of yarn, had been a sudden jump in the local yarn market. For example the Empress Mill yarn of 20s counts which used to be purchased by weavers at Rs. 7-6 in June, 1927, was quoted at Rs. 10-4 in September of the same year. This duty which thus helped the local mills to sell their yarn at enhanced rates also enabled them to reduce the prices for their cloth to the detriment of the handloom trade. In support of this statement the following market rates for cotton yarn and cloth are given for two periods, for three years each, one preceding the imposition of duty and the other subsequent to it :—

	ton per lb.	Yarn.	Cloth.	Difference between cotton and yarn prices.	Difference between yarn and cloth prices
	.. P.	A. P.	Rs. A. P.	A. P.	A. P.
1925	9 4	14 7½	1 2 9	5 3½	4 1½
1926	7 1	11 9	0 15 3	4 8	3 6
1927	6 0	10 0	0 13 7½	4 0	3 7½
Average for 3 years	7 6	12 1½	0 15 10½	4 7½	3 9
1928	8 1	12 0	0 14 1½	3 11	2 1½
1929	6 11	12 0	0 14 10½	5 1	2 10½
1930	5 1	10 5	0 13 4½	5 2	3 1½
Average for 3 years	6 8	11 5	0 14 1½	4 9	2 8½

The millowner now, in view of the enhanced price which he will get *on his own yarn*, can easily afford to set it off against his cost of weaving, which is more or less the same as the meagre earning of the hand weaver. Thus the latter who has to compete with the mill made cloth is now forced to charge for his labour the same amount as the millowner. In addition, he has to pay enhanced price for his yarn to the extent of at least 1½ annas per pound. He therefore stands to be penalised twice for no fault of his own.

One of the reasons which apparently promoted the suggestion for the imposition of this import-duty on yarn is based on the presumption that an unfair competition exists between the Japanese and Indian mills and that there is dumping by Japan of cheap yarn in Indian market. This does not seem to be quite the case. The qualities of Japanese yarn in demand in Bihar and Orissa regarding of 20s, 32s and 40s counts and

this yarn is purchased by our weavers in preference to Indian spun yarn for its superior quality even after paying a higher price, as can be seen from the following local market rates for yarn in 1929:—

	Japanese.	Indian.	
	Rs. A.	Rs. A. P.	
20s	8 1	7 10 6	(Madura).
32s	11 12	11 8 0	(Madura).
40s	12 8	11 15 0	(Boureah).

Similarly in 1927 Japanese 40s yarn was selling at Rs. 10-5 per bundle, when some of the best Indian mills found it difficult to clear their stock at Rs. 9-12.

The following gross import figures for grey yarn show that the Indian hand weavers cannot do away with the use of these small quantities of imported yarn which they require for the production of some of their special patterns, so long the local mills are not in a position to spin similar qualities of yarn:—

	Up to 30s.	31s to 40s.	Above 40s.	Grey and dyed of all counts.
	(In millions of lbs.)			
1925-26	4·8	21·6	6·1	51·6
1926-27	1·2	20·9	6·9	49·4
1927-28	2·4	21·9	6·4	52·3
1928-29	1·2	16·2	7·8	43·7
1929-30	1·2	15·5	7·1	43·8
1930-31	0·5	13·1	3·0	29·1
1931-32	0·6	12·7	4·3	31·5

In short, the import duty on yarn, instead of discouraging the imported of foreign yarn even in medium counts, has only enabled local mills to earn a profit at the cost of the poor and helpless hand weavers who patronise the former by purchasing nearly 90 per cent. of their raw material.

The duty imposed on piecegoods by the Cotton Textile Industry (Protection) Act has certainly benefited the hand weavers as this duty has enabled both the hand weavers and the Indian cotton mills to sell their goods without much loss. On account of the local competition among the Indian mills and then with the hand weavers, this duty on cloth has not so far enhanced the prices of cloth above the normal and thereby affected the interest of the buying public (*vide* Appendix No. 2 of the Indian prices for cotton yarn and cloth).

With reference to the letter No. 194 of the 9th May, 1932, from the Secretary, Tariff Board, regarding the effect on hand weaving industry of the existing import duties on artificial silk yarn and piecegoods, it is to be said that as practically no artificial silk yarn is being used in this province no opinion can be offered on this point. The art silk piecegoods certainly provide a cheap luxury for the poorer classes who are not in a position to pay for real silk fabrics. Although, we have in this province tasar silk production and manufacture, which is declining for various reasons, other than the one due to the competition from imported art silk fabrics, a reduction of these duties or their total abolition will be in the interest of the consumers and is not likely to affect the hand weaving industry to any appreciable extent.

K. S. Rao,
Textile Expert,
Bihar and Orissa.

Market prices for cotton yarn and cloth from 1920-1930.

Yarn.	Cotton per lb.		Yarn per lb.			Cloth. per lb			Difference between cotton and yarn prices.		Difference between yarn and cloth prices.		Difference between cotton and cloth prices.		
	As.	P.	Rs.	A.	P.	Rs.	A.	P.	As.	P.	As.	P.	Rs.	A.	P.
1920 .	10	3	1	9	3	1	12	3	15	0	3	0	1	2	0
1921 .	6	7	1	0	9	1	9	4	10	0	8	7	1	2	7
1922 .	16	6	1	1	10	1	8	0	7	4	6	2	0	13	6
1923 .	10	2	0	15	1½	1	3	7½	4	11½	4	6	0	9	5½
1924 .	10	7	1	1	10½	1	5	1½	7	3½	3	3	0	10	6½
1925 .	9	4	1	2	9	1	2	9	5	3½	4	1½	0	9	5
1926 .	7	1	0	15	3	0	15	3	4	8	3	6	0	8	2
1927 .	6	0	0	13	7½	0	13	7½	4	0	3	7½	0	7	7½
1928 .	8	1	0	14	1½	0	14	1½	3	11	2	1½	0	6	0½
1929 .	6	11	0	14	10½	0	14	10½	5	1	2	10½	0	7	11½
1930 .	5	1	0	10	3	0	13	4½	5	2	3	1½	0	8	3½

Retail prices of yarn (per bundle of 10 lbs.) of different counts in May, 1932.

Counts.	Empress mill.		Dunbar mill (Bowerea).		Cawnpore mill.			Model mills, Nagpur.		Bowriah mill, Calcutta.		Madura mill.	
	Rs.	A.	Rs.	A.	Rs.	A.	P.	Rs.	A.	Rs.	A.	Rs.	A.
7s and 6½s .	3	14	...		3	2	0	...		3	4	...	
9s . . .	...		...		...			...		3	12	...	
10s and 10½s .	4	2	3	14	3	0	0	4	6	...		...	
11s . .	4	8	4	0	...			...		...		...	
12½s . .	4	9	4	2	.			...		...		...	
14s . .	4	9	4	6	...			4	7	...		...	
16s and 16½s .	5	4	4	10	4	0	6	5	4	...		...	
20s and 20½s .	5	12	5	3	5	5	0	...		...		...	
30s . .	...		...		...			...		.		7	2
40s . .	11	8	...		...			11	0	... ...		8	4

Government of Madras.

(1) *Letter No. 1424—II/32—4, dated the 22nd June, 1932.*

In reply to your letter No. 170 of the 22nd April, I am directed to say that the Government of Madras do not feel in a position to express any special views on the points specified in para. 2 of the Press communique which accompanied your letter in so far as those points affect the cotton mill industry. The number of cotton mills in the Presidency is, as the Tariff Board is aware, relatively small. So far as tariff policy is concerned, the needs of these mills may be presumed to be similar to those of the mills in the rest of India, and the Madras Government have no doubt that their claims to protection and the particular methods to be adopted will be exhaustively dealt with elsewhere.

2. They propose, therefore, to confine themselves to the case of the handloom weaving industry, and will endeavour, with such materials as they have been able to collect, to give the general and particular information relating to that industry for which the Board has asked.

3. It must be stated at the outset that accurate detailed information about the handloom weavers is difficult, if not impossible, to procure. The industry is unorganized and there are no statistical returns relating to it. The sources of information are (a) census enumeration, which gives numbers of handlooms and of persons employed in cotton spinning, sizing and weaving, and (b) estimates of output deduced from statistics of net imports of yarn, net production of Indian yarn, and consumption in mills and consequent balance available for handlooms. Until 1921 it was possible to make an estimate of handloom consumption in the Madras Presidency, by applying to the items above specified the figures of railborne trade in yarn. But with the subsequent abolition of the railborne statistics of trade that method of calculating the Madras output has had to be abandoned, and the only course now is to make such assumptions as seem most reasonable as to the fluctuations in internal movements of yarn.

4. Notwithstanding the lack of precise information, it is indisputable that the handloom weaving industry—though occupying a far lower position, relatively, in the textile industry than it did a century ago—is of immense importance, providing employment in this Presidency for a population second only to that engaged in agriculture. The total population supported by the industry (cotton spinning, sizing and weaving) was 1,118,628 according to the 1911 Census, but fell in 1921 to 687,083 (or 911,901 if we include "weavers unspecified"). The recent Census figures indicate an increase in the number of actual weavers in the last ten years from 304,000 to 486,248 (about 60 per cent.) Some doubt, however, arises as to the accuracy of the figures since the same Census gives the number of looms as only 193,474 (including looms used for artificial silk). This is an increase of only 15 per cent. over the 1921 figure of 169,451. On the other hand, a survey of cottage industries made in 1928 gave an estimate of 259,451 looms in that year. In view of the decrease between 1911 and 1921, and the known difficulties under which the handloom weaving industry has been labouring in recent years, it is hard to believe that there has been an increase in the number of persons employed much in excess of the proportion in which the general population has expanded during the same period.

As regards the effect of recently imposed duties on the industry, there is no positive information; but it is relevant to note that, at present prices of yarn, all counts up to 90s (which constitutes the bulk of the weavers' consumption) pay at the higher rate (the specific duty); that, in consequence, the import of coarse and medium counts is dwindling; that the protection benefits only the mills, which are beginning, under its shelter, to take to the production of 40s and upwards; while the handloom industry is more than ever dependent for its supply of yarn on its principal competitor, the mills, which produce yarn chiefly for their own consumption. The Indian mill made yarn is, moreover, inferior in reliability and tensile strength to imported yarn. It is hardly necessary to adduce statistical proof that the handloom industry is seriously handicapped.

5. I am now to proceed to answer the seven special points mentioned in para. 2 of your letter.

(i) This refers to the extent of the industry. The question of the number of weavers and looms has already been dealt with in the preceding paragraph, and may be briefly repeated. The probable number of weavers employed in 1931 may be put somewhere between 300,000 and 350,000; the number of looms between 200,000 and 250,000; the production may be roughly estimated at about 70 million lbs. of yarn. This figure is arrived at in the following manner. The average amount of yarn consumed by handloom weavers in Madras during the decade ending 1920-21, as deduced from statistics, on the one side, of import (by sea, coast and rail) and production in the mills, and, on the other side, of corresponding exports and consumption in the mills,

was 59 million lbs. In the same period the average consumption in India as a whole was 244 million lbs. The all-India average consumption increased to 326 million lbs. in the next decade, *i.e.*, by a little more than 33 per cent. Assuming a proportionate increase in Madras, the figure would be about 78 million lbs. This percentage increase is, however, considerably higher than that already admitted in the number of looms, and the figure of 70 million lbs. may be more safely adopted. Assuming 5 yards of cloth to one lb. of yarn, and 225,000 looms working for 200 days in the year, this gives a daily outturn of about 7½ yards per loom, which is a fairly normal figure. Even this figure of 70 million must, however, be regarded as very conjectural.

(ii) The principal classes of cloth woven are dhoties, sarees, upper cloths, shirtings, coatings, towels, sheets, turban cloths, lungis, kailies and handkerchiefs. Mill competition is mainly in respect of the first seven (except in regard to coloured sarees, which are a speciality of handlooms) but no estimate of the extent of that competition can be offered on the scanty materials available.

(iii) The following statement shows the approximate cost of manufacture of the principal classes of cloth produced :—

Coarse Dhoties.

			As.	P.
Length	1 yd.	Cost of production—		
Width	45″	Yarns	1	9
Weight	4·74 ozs.	Sizing	0	6
Ends per inch	48	Weaving	0	9
Picks per inch	52			
Count of warp	20	Total	3	0
Count of weft	20			
No. of yds. per lb.	3·4	Output per day: 10 yards.		

Fine Dhoties.

			As.	P.
Length	1 yd.	Cost of production—		
Width	48″	Yarns	3	5
Weight	2·3 ozs.	Sizing	0	8
Ends per inch	72	Weaving	2	0
Picks per inch	72			
Count of warp	60	Total	6	1
Count of weft	60			
No. of yds. per lb.	6·9	Output per day: 5 yards		

Women's Sarees.

			As.	P.
Length	1 yd.	Cost of production—		
Width	48″	Yarns	2	5
Weight	3 ozs.	Sizing	0	7
Ends per inch	60	Weaving	1	6
Picks per inch	64			
Count of warp	40	Total	4	6
Count of weft	40			
No. of yds. per lb.	5·8	Output per day: 6 yards.		

Turban Cloths.

Length	1 yd.	Cost of production—	As.	p.
Width	48″	Yarns	3	6
Weight	2 ozs.	Sizing	0	10
Ends per inch	72	Weaving	3	10
Picks per inch	72			
Count of warp	80	Total	7	4
Count of weft	80			
No. of yds. per lb.	8 yds.	Output per day: 4 yards.		

Angavastrams.

Length	1 yd.	Cost of production—	As.	p.
Width	45″	Yarns	4	1
Weight	1·8 oz.	Sizing	0	10
Ends per inch	90	Weaving	4	5
Picks per inch	90			
Count of warp	100	Total	9	4
Count of weft	100			
No. of yds. per lb.	8·8	Output per day: 3 yards.		

Madras Handkerchiefs.

Length	1 yd.	Cost of production—	As.	p.
Width	36″	Yarns	4	0
Weight	3·5 ozs	Sizing	0	5
Ends per inch	80	Dyeing	2	0
Picks per inch	128	Weaving	3	6
Count of warp	60			
Count of weft	40	Total	10	3
No. of yds. per lb.	4·5			
		Output per day: 3 yards.		

Towels.

Length	1 yd.	Cost of production—	As.	p.
Width	36″	Yarns	2	6
Weight	3¼ ozs.	Sizing	0	5
Ends per inch	48	Weaving	0	11
Picks per inch	48			
Count of warp	20	Total	3	10
Count of weft	20			
No. of yds. per lb.	4¼	Output per day: 10 yards.		

Twill Shirting.

Length	1 yd.	Cost of production—	As.	p.
Width	36″	Yarns	2	8
Weight	4 ozs.	Sizing	0	6
Ends per inch	52	Weaving	1	2
Picks per inch	52			
Count of warp	20	Total	4	4
Count of weft	20			
No. of yds. per lb.	4	Output per day: 9 yards.		

Coatings.

Length	1 yd.	Cost of production—	As. P.
Width	36″	Yarns	5 3
Weight	6¾ ozs.	Dyeing	0 1
Ends per inch	60	Weaving	1 6
Picks per inch	52		
Count of warp	3/30s.	Total	6 10
Count of weft	10s.		
No. of yds. per lb	2·6	Output per day: 6 yards.	

Bedsheets.

Length	1 yd.	Cost of production—	As. P.
Width	48″	Yarns	10 0
Weight	12½ ozs.	Dyeing	0 3
Ends per inch	80 (40's reed)	Weaving	2 0
Picks per inch	80 (4 ends in)		
Count of warp	2/30s.	Total	12 3
Count of weft	10s.		
No. of yds. per lb	1⅓	Output per day: 5 yards.	

Lungis

Length	1 yd.	Cost of production—	As. P.
Width	29″	Yarns	3 9
Weight	3 ozs.	Sizing	0 9
Ends per inch	88	Dyeing	0 9
Picks per inch	80	Weaving	1 6
Count of warp	60		
Count of weft	40	Total	6 9
No. of yds. per lb.	5·3	Output per day: 6 yards.	

(iv) Information regarding prices realised for the principal classes in the current and two preceding years, with corresponding prices of comparable goods, mill made and imported, has proved difficult to collect. The quality of hand woven and mill made cloths varies so greatly as to make it hard to find any standard of comparison. The statement in the Appendix to this letter gives such particulars as it has been possible to gather. It will be observed that handloom prices are generally slightly higher than the prices of mill products and their quality, as indicated by the number of threads per inch, is also higher.

(v) Counts from 12s to 200s are used, 31s to 100s being most in use. For these counts, the weavers are mainly dependent on imported yarn, though, with the protection afforded by the recent duties, the production of the higher counts in Indian mills has rapidly advanced. It is still, however, only about three per cent. of the total production.

For counts below 30s the handlooms are now almost entirely dependent on Indian mills, and the case will soon, if the present duties on yarn remain,

be the same with the higher counts. The following table shows the prices of select counts of cotton yarn imported into India during the last few years:—

	1929. Per lb. Rs. A. P.	1930. Per lb. Rs. A. P.	1931. Per lb. Rs. A. P.	1932. Per lb. Rs. A. P.
Grey Yarns.				
40s (Chinese)	1 1 7	0 13 3	0 12 0	0 12 0
60s (Woodcutter)	1 11 2	1 5 6	1 2 3	1 2 7½
80s (Pahliwan)	2 0 0	1 11 6	1 6 6	1 6 1½
100s do.	2 8 0	2 3 6	1 13 6	1 12 3
Bleached Yarns.				
60s (Charmseller)	1 12 6	1 7 3	1 3 9	1 4 9½
70s do.	2 0 6	1 10 6	1 6 6	1 8 0
80s do.	2 4 0	1 13 6	1 9 6½	1 10 1
90s do.	2 6 6	2 0 6	1 11 3	1 11 3
100s do.	2 9 6	2 3 0	1 13 6	1 13 0

The sale prices of yarn produced by a mill at Koilpatti are extracted below:—

Counts.	1929 April.	1930 April.	1931 Apri
	(Per bundle of 10 lbs.)		
	Rs.	Rs. A. P.	Rs. A.
20s	8	6 4 0	4 10
24s	...	6 12 0	5 3
30s	...	8 0 0	6 0
32s	...	8 4 2	6 5
40s	...	9 14 0	8 2
42s	...	...	8 6

The highest and lowest price obtained for 20s × 10 lbs. by a mill at Coimbatore are given below, the prices of other counts being calculated on this basic price:—

	Highest. Rs. A.	Lowest. Rs. A.
1929-30 September	6 2	5 3
1930-31 ,,	4 12	4 4
1931-32 end May	6 0	4 2

(vi) For estimates of the amount of hand spun yarn produced we are dependent on figures given by the All-India Spinners Association. That body estimates the value of yarn so produced in 1930-31 in the Madras Presidency at about 32 lakhs of rupees, which at an average price of 6 annas a yard (Re. 1-14 a lb.) gives an output of 8½ million yards—an insignificant contribution, to the total consumption. The price is very high, and the quality is coarse and uneven.

(vii) As has already been said, the duty recently imposed on yarn hits the handloom weaver very hard. The statement produced under item (iii) above shows that the cost of yarn represents generally about one-half of the cost of production. This moiety is affected by (*a*) the naturally high price of imported yarn with its various commissions and transport charges, (*b*) the enhancement of price caused by the duty and (*c*) the competition of the mills which, protected by the duty, charge a high price to the handloom

weavers while producing the yarn for their own consumption at a cost which by virtue of such factors as bulk production and shared overhead charges is far lower than that incurred by the weavers.

The effect on handloom weavers of the duty on piecegoods is determined by the fact that the duty operates to assist their chief competitors, the mills. It may be conjectured that the handloom industry could withstand the competition of foreign textile goods better than that of the mills.

6. The details given in the preceding paragraph, meagre as they are, indicate that the handloom industry has made little progress in the last generation, that it has not succeeded in establishing its position in respect of any of the various lines on which the cotton industry is conducted, and that it is in evident danger of being displaced still further by mill competition. Such a prospect cannot be regarded with equanimity in view of the immense importance of preserving this ancient handicraft as a source of employment for a large part of the rural population and of the undesirability of permitting the production of cotton cloth to become entirely a factory industry with its concomitants of social maladjustment and deterioration in public health. The lack of progress in the handloom industry is no doubt due to a variety of causes, and the Madras Government, believing the industry to be potentially solvent, have carefully examined numerous suggestions for its improvement with special reference to the internal defects from which the industry suffers. These defects consist mainly in a want of steadiness, thrift and industry in the character of the weavers, their chronic indebtedness, their primitive appliances and their complete lack of organisation. The reform of each of these defects represents a problem of great difficulty with the discussion of which it is not necessary to burden this letter. Over and above all these defects which may be to some extent curable by means within the disposal of this Government are the external handicaps of the duty on yarn and the preferential position of the mills. The centre of mill competition lie outside this Presidency, but it is not open to the Madras Government—as it would be to an independent State—to counter that competition by a tariff on mill products. Yet, unless some restriction is placed on the power of the mills to raise yarn prices against the handloom weavers (within the wide margins allowed by the existing tariff) or some agreement can be entered into with regard to the respective spheres of the handlooms and the mills, it is exceedingly doubtful whether any internal reform of the handloom industry can succeed even in arresting its gradual decay. This is not the only instance, but it is perhaps one of the most important in which the vital interests of different great sections of the population are in conflict and no measures whether of tariffs or otherwise, can be deemed satisfactory which cater for the interests of only one party or community. The handloom weavers are definitely handicapped by the duty on yarn of counts above 40s. The mills are only slightly benefited by it, their production of such counts representing only about 3 per cent. of their total output of yarn. The abolition of this duty is strongly advocated. The loss in revenue might be made good by a small duty of three pies a lb. on cotton cloth imported from other than British sources. Further handicaps are the enormous duty (50 per cent. *ad valorem*) on imported gold thread which is an essential ingredient in the manufacture of the richer sarees and turban cloths which are a feature of the higher class work on handlooms; and the duties recently imposed on textile machinery, apparatus and accessories. The withdrawal of the duty on gold thread and of the machinery duties in so far as they apply to identifiable handloom plant and accessories, is also urged.

7. But these measures are not sufficient by themselves. In order to achieve the improved organisation, in apparatus, marketing and finance, which the industry imperatively requires, it is necessary to have a fund at the disposal of the organising body, and it has from time to time been suggested that such a fund might be found by the levy of an excise duty or cess or yarn consumed by mills. That suggestion is again put forward. The practical and legislative difficulties are recognised; the important part,

however, which the handloom industry can play in the proper constitution of the textile industry may be invoked in justification of such a levy and has indeed been admitted in the statement made to the Fiscal Commission by the Bombay Millowners Association The mills benefit by tariffs whose effect, it appears, is mainly detrimental to the handlooms A large articulate interest benefits at the expense of a larger but inarticulate community Legislation which permits such results needs revision, but to meet the objection that such a cess or duty should not fall solely on one section of the industry (a section, moreover which derives no direct benefit from it) it may be conceded that the handloom industry when organised should also pay the cess which may be put at two pies a lb of yarn consumed

8 Further measures suggested for the improvement of the handloom industry include the recommendation that legislation should be undertaken to enforce the grading and labelling of Indian mill made yarns and to penalise short-reeling and other fraudulent practices In this connection, and in connection with the recommendations made at the end of para 6 I am to enclose copies of letters addressed to the Government of India on the subject

9 Information regarding the further point raised in your letter of the 9th May has not yet been obtained and will be given in a supplementary letter as soon as possible

Enclosure No. 1.

Copy of letter No. 1528—II/29—5, dated the 28th April, 1930, to the Secretary to the Government of India, Department of Commerce.

IMPORT DUTY ON COTTON YARN AND GOLD THREAD—EFFECT OF LEVY ON HANDLOOM INDUSTRY IN MADRAS PRESIDENCY.

In continuation of para. 2 of my letter No. 1528—II/29—4, dated the 13th February, 1930, I am directed to state that large quantities of lungis, kailies, Madras handkerchiefs, coloured sarees, angavastrams, turban cloths and muslins are manufactured in this Presidency from counts ranging from 38/42 to 115/120 (Imported and Indian mill made) and nearly 35 million yards of lungis and 2·6 million yards of Madras handkerchiefs alone are produced on the handlooms annually. The revised duty of 1½ annas per pound is applicable to yarns whose prices are lower than Re. 1-14 per pound and yarns of counts 40s, 50s and 60s directly come under the enhanced duty. Investigations go to show that the wages of the weavers working in the above counts have been considerably cut down during the last 14 months. In the case of grey cloths made from 40s counts of yarn, the price of the handloom product is determined by that of imported cloth but owing to mill competition and in the absence of corresponding enhanced duty on imported cloth, the weavers' wages have been generally reduced from As. 10 to As. 8-6 a day. As regards the manufacture of lungis and kailies which are produced from 40s and 60s yarn, enquiries go to show that the wages paid to the sizers, weavers and dyers have also been reduced from Rs. 2-6 to Re. 1-13-6 per pound of cloth. The earnings of the middlemen have also been reduced from As. 7-6 to As. 5 per pound of cloth. A statement is appended showing the average charges paid in the manufacture of Madras handkerchiefs. The exporting houses in Madras state that their profits have also been reduced as a result of keen competition with the power products and the unwillingness on the part of consumers abroad to patronize hand woven products beyond a certain price. They contend that whilst power products are manufactured by the mills from yarns spun in their own spinning mills, the handloom weaver has to meet a certain number of charges, such as commission to wholesale exporters of yarn, transport charges by steamer, railway freight for transporting the yarn into the country, commission to wholesale importers and in addition he has to pay a duty. When exporting houses are asked to state definitely to what extent the revised duty is responsible for the reduction in the individual earnings of the weavers, they contend that when the existence of the duty itself is a

handicap to the handloom weaver, the question of how far a slight revision in the duty has resulted in a reduction of the wages of the individual weaver is not very material. They further state that if immediate steps are not taken for the total removal of duty on imported yarns of 40s counts and above, there are no prospects of recovering lost market in lungis, and that Madras handkerchiefs will meet in the near future with the same fate as lungis.

2. As regards fine and superfine yarns of counts above 60s, the duty has remained the same as before. The weavers urge that in view of the fact that such yarns are not produced by Indian mills, the removal of the present import duty is imperative so as to enable them to withstand keen foreign competition. The subject was recently placed before the Advisory Committee constituted for the Textile section in this province. The Committee is of opinion that the removal of duties on the import of yarn of 40s and above is in the interests of the Madras handloom industry and that in any case, duties on 60s and above should be removed. It adds that any measures taken by the Government of India in regard to the Textile industry should be such that the interest of the existing handloom industry should not be interfered with as it supports 2 millions of workers and that the handloom weavers should be allowed to get from outside free of duty such yarns as they cannot get from Indian mills. This Government are in agreement with the above views, and I am to request that steps may be taken to remove the import duty on cotton yarns of counts above 40s—or at least 60s.

3. Another factor which affects the handloom industry in this Presidency is the duty on gold thread. Gold thread is used by handloom weavers in the manufacture of both silk and cotton cloths. Handloom weavers of this Presidency prefer French to Indian manufactured gold thread or lace. In 1927-28, the value of imports of gold and silver thread by sea into the province amounted to Rs. 13,68,895. Lace is used in combination with either silk or fine and costly imported cotton yarns. The present levy of 30 per cent. duty on gold thread is a severe hardship to the handloom weavers. A duty is levied on both the imported cotton yarn and on the lace used in the manufacture of lace cloths. If the duty on the imported lace as well as on fine imported yarns is removed, the cost of production will be considerably reduced and there will be a greater demand for such fabrics. The increase in demand will enable the weavers to increase their output and enhance their earnings. Since neither the mills in Europe nor in India produce lace cloths, there is no competition between them on the one hand and the handloom on the other. The Textile Advisory Committee which considered the question urges the removal of the duty on gold thread. The Government agree with the opinion of the Committee and I am to suggest that the duty on gold thread may be removed at an early date.

APPENDIX.

One lb. of cloth: 5 yards—Re. 1-8.

	After levy of duty.			Before levy of duty.		
	Rs.	A.	P.	Rs.	A.	P.
Winding, warping and sizing charges	0	3	6	0	4	0
Weaving charges	1	6	0	1	14	0
Dyeing charges	0	3	6	0	4	0
	1	13	0	2	6	0
Middlemen's charges	0	5	0	0	7	6
	2	2	0	2	13	6

Enclosure No. 2.

Copy of letter No. 3060—II/29—1, dated the 4th June, 1930, to the Government of India, Department of Commerce.

I am directed to address the Government of India on the subject of introducing legislation to provide for the grading and labelling of Indian mill yarn.

2. Handloom weavers in this Presidency obtain their supply of yarn from both Indian and foreign mills. According to the Indian Tariff Board, the imports of yarn into India calculated on five years' average after the war amount to 49 million pounds per annum while Indian mill yarn available to the handloom weavers amounts to about 248 million pounds per annum. Indian mills therefore supply about 84 per cent. of handloom requirements. The consumption of yarn by the handloom weavers in Madras alone amounts to about 56 million pounds per annum.

It has been brought to the notice of this Government that cotton yarn supplied by the majority of the spinning mills in India is badly reeled, contains a large number of loose threads, is not of the reputed count and does not possess the necessary tensile strength for use as "warp". In view of the necessity of placing the handloom weaving industry on a commercial basis, it has been urged that, as regards yarn of counts below 40s which are mainly supplied by Indian mills, Government might stipulate a condition that they should not be below a standard strength test, and should be of the reputed count, correct length and weight.

3. As regards yarn being of the reputed count, it has been suggested that wherever a bundle of yarn is made up of a standard weight of 10 pounds, it should contain as many knots as the number of its count, and each knot should contain 10 hanks of 840 yards each, thus securing correct count and safeguarding against short reeling. There is no denying that the practice of short reeling is prevalent and that coarser counts than those mentioned on the ticket are passed and the weavers are thus deprived of the correct length which the finer count would have given. The Cotton Tariff Board have urged that the fraudulent practice of short reeling and substituting of coarser counts in order to make up the weight should be put an end to. The opinion of the mills consulted in the Presidency is that short reeled hanks are easy to detect and can be easily avoided by them.

As regards the tensile strength, it is common knowledge that the great bulk of the yarn made available by Indian mills to the handloom weavers is unsuitable as "warp". Owing to the low tensile strength of the yarn, the sizers complain that they do not stand the strain of even the preliminary processes of winding, warping and sizing. For the same reason, the weavers also complain that there are frequent breakages of yarn on the looms and consequently they do not get the maximum output. The millowners are no doubt aware of this fact. The present system of labelling with a trade mark primarily helps the weaver to choose his yarn with reference to its reeling qualities but the label does not specify the quality of the yarn and is therefore no guide to him in the selection of the yarn with regard to its tensile strength.

The important millowners in this Presidency who were consulted on the subject are of opinion that the fixing of a standard strength test is neither practicable nor fair and that the imposition of a standard strength test would handicap the less well organised mills. They may resent any attempt on the part of Government to prescribe a standard strength test for particular counts of yarn which they produce. But there can be no practical difficulty for the mills to indicate the quality of their yarn on the bundles, by labelling them as "Superior", "Medium" or "Inferior". This will not amount to any interference with their freedom but it will secure for their purchaser a guarantee as to the qualities of the yarn placed on the market. The strength tests of yarn produced by the mills are being record-

ed from day to day and what is required is the fixing of the strength test by Government according to which yarns can be classified as "Superior", "Medium" or "Inferior".

4. The opinion of the owners of some of the spinning mills who supply yarn to the handloom weavers is bound at the outset to be opposed to the introduction of any new regulation which affects their present practice and is against their interests; but in the interests of the weavers some method should be devised to secure for them a supply of satisfactory yarn at favourable prices which will enable them to increase their output and improve its quality. The Textile Advisory Committee which has been constituted by the Government of Madras to advise them on matters affecting the welfare of the handloom industry in this Presidency have recommended that in view of the necessity of placing the handloom weaving industry on a commercial basis, by linking handloom with power preparatory processes, where correct count and tensile strength form an important factor, the Government should lay down—

(1) that a bundle of yarn should be made up of a standard weight of 10 lbs.,

(2) that each bundle should contain as many knots as the number of its count,

(3) that each knot should contain 10 hanks, each hank containing 840 yards,

(4) that each bundle should be labelled "Superior", "Medium" or "Inferior" in accordance with the prescribed strength test for these particular grades, and

(5) that the correct count of yarn should be indicated on the bundle.

The Government of Madras agree with the recommendations of the Committee. I am to request that the Government of India will be pleased to consider the desirability of undertaking legislation to give effect to the suggestions in the interests of the handloom industry.

Enclosure No. 3.

Copy of letter No. 1052—II/31—2, dated the 25th January, 1932, to the Government of India, Department of Commerce.

Subject :—Revised duty on yarn—Effect on the handloom industry.

I am directed to invite a reference to the correspondence ending with Mr. Drake's letter 341-T. (123), dated the 25th August, 1930, in which the Government of India observed that it would be premature then to consider any alteration in the duty on imported cotton yarn. With reference to the opinion of the Government of India, the local Government deemed it best to watch the effect of the enhanced duty on the handloom industry in the presidency during 1930-31. The Director of Industries, Madras, has submitted a report for this period. I am to forward for the information of the Government of India a copy of the report which shows that the increased duty has had an adverse effect on the industry and to state that the local Government strongly recommend the proposal made in the concluding portion of the Director's report that no duty should be levied on yarns of counts above 40s nor on handloom appliances and accessories.

(2) *Letter No. 1424—II/32—6, dated the 2nd August, 1932, from the Government of Madras.*

Subject :—Import duties on artificial silk yarn and piecegoods—Effect on the handloom weaving industry.

In continuation of my letter No. 1424—II/32—4, dated the 22nd June, 1932, and in reply to your letter No. 194 of the 5th May, I am directed to say that some information has now been collected with regard to the effect

on the handloom industry of the import of artificial silk piecegoods and yarn at the existing duties. These duties are at present 50 per cent. *ad valorem* and 18¾ per cent. *ad valorem* respectively. But the enormous increase in imports of both which has occurred in India generally and in Madras in particular (as shown in the statements in Appendix I to this letter) indicates that, high as the duties appear to be, they are insufficient to check the influx. Consumption of artificial silk piecegoods and yarn to the extent shown must evidently displace a considerable volume of indigenous cotton and silk goods; and to that extent the Indian cultivator suffers while the handloom industry though perhaps temporarily benefiting by the cheap imported yarn, is detrimentally affected by the import of piecegoods and must eventually suffer indirectly by the injury to cotton cultivators and by dependence on foreign raw material.

The handloom weavers have taken freely to the use of artificial silk yarn which they mix with cotton in the production of sarees, dress materials and shirtings. Their costs of production, however, as shown by the statement in Appendix II, prevent them from competing with imported artificial silk goods, especially from Japan.

Even where the handloom using foreign artificial silk yarn can to some extent compete with imported piecegoods it tends to injure the cotton industry by lowering the price of textile fabrics generally. Nor does it seem desirable on general grounds, apart from the injury to cotton growers and manufacturers, to encourage the use of artificial silk yarn. Goods made either wholly or partly of this material do not wear well, and the consumer would not really suffer by having to buy cotton goods at a slightly higher price.

The imposition of prohibitive duties both on piecegoods and on yarn of artificial silk is advocated.

APPENDIX I.

STATEMENT I.—*Imports of artificial silk piecegoods (in thousand yards)*

Year.	Into India.	Into Madras.
1923-24	8,555	1
1924-25	17,020	13
1925-26	15,362	166
1926-27	41,978	72
1927-28	53,141	103
1928-29	49,801	113
1929-30	56,600	408
1930-31	51,495	3,015
1931-32	84,639	5,090

STATEMENT II.—*Imports of artificial silk yarn (in thousand pounds).*

Year.	Into India.	Into Madras.
1923-24	406	6
1924-25	1,171	231
1925-26	2,671	338
1926-27	5,776	276
1927-28	7,510	932
1928-29	7,668	1,600
1929-30	7,353	2,219
1930-31	7,119	2,433
1931-32	7,962	2,423

APPENDIX II.

SAMPLE (A).—*Cotton warp and artificial silk weft.*

	Per 5-lb. bundle. Rs.	A.	P.	
Count of warp 56, length 1 yard, 60s cotton .	6	4	0	
Count of weft 110, width 41½ inches, 110 deniers	11	0	0	per 10 in bundle.
Ends 80 per inch, weight 1·13 oz., 150 deniers of warp	10	8	0	
Picks 72 per inch, weight 1·18 oz., 250 deniers of weft	10	0	4	
Cost of warp 1·13 oz. at 1 anna 3 pies per oz. .	0	1	4	
Cost of weft 1·18 oz. at 1 anna 3 pies per oz. .	0	1	4	
Dyeing, preparation and weaving charges .	0	4	0	
Cost of production .	0	6	8	
Sale price of Japanese cloth .	0	7	0	

SAMPLE (B).—*Warp and weft—artificial silk.*

Count of warp 100 deniers, length 1 yard.
Count of weft 150 deniers, width 27½ inches.
Ends per inch 100 deniers, weight of warp 1 oz.
Picks per inch 58, weight of weft ·87 oz.

	Rs.	A.	P.
Cost of warp 1 oz. at 1 anna 3 pies . .	0	1	3
Cost of weft at 1 anna per oz. . . .	0	0	11
Dyeing, preparation and weaving charges .	0	3	6
	0	5	8
Sale price of Japanese cloth .	0	4	6

SAMPLE (C).—*Cotton warp, artificial silk weft and artificial silk extra warp.*

Count of warp 64s, length 1 yard.
Count of weft 132 deniers, width 43½ inches.
Ends per inch 80, weight of warp 1·04 oz.
Picks per inch 64, weight of weft 1·32 oz.
Count of warp (extra) 250 deniers.

	Rs.	A.	P.
Cost of warp 1·04 oz.	0	1	4
Cost of weft 1·32 oz.	0	1	4
Extra warp 0·33 oz.	0	0	4
Dyeing, preparation and weaving charges .	0	5	3
Cost of production .	0	8	3
Sale price of Japanese cloth .	0	7	0

Government of the North-West Frontier Province.

(1) *Letter No. 335-T. D. M./XXVIII-A. 36, dated the 27th June, 1932.*

I am directed to refer to your letter No. 170, dated the 22nd April, 1932.

2. The population supported in 1921 by cotton spinning, sizing and weaving in this province was 27,422, that figure being a decrease of 21 per cent. on the figure for 1911, which in turn was a decrease of 17 per cent. on the figure for 1901. Most of the villages of this province contain one or two or more weavers. The cloths made in such places comprise only khaddar, kheses, susis, or other similar thick and rough materials. Despite the wide distribution of weavers, this art has in most parts of the province either become almost rooted out or has been reduced to a negligible economic factor; what little is left of the weaving industry at minor centres like Hangu, Mardan or Nowshera, is fast approaching total extinction. The above information is as supplied by Mr. M. A. Raffe, B.Sc., Industrial Investigator, in his report, "The Industries and Economic Resources of the North-West Frontier Province" (Government of India Central Publication Branch, 1929, price Rs. 4-10). He traces the decline to the following factors:—

(1) Competition with foreign manufactured cloth, which is coming into the market with better quality and finish, and is also comparatively cheaper than local made cloth.

(2) The use of unfast colours on yarns and cloths.

(3) The use of primitive pit looms, which give a smaller yield and which provide only a rough finish to the cloth.

(4) The poor technical skill of the weavers and their consequent inability to produce cloth of modern designs and quality.

3. The only cotton weaving centres of any importance in the province are those at Peshawar and Kot Najibullah, in the Haripur Tehsil of the Hazara District. Owing to the scattered nature of the industry generally and the necessity for early reply to your letter, specific inquiry on the lines required by you has been confined to these two centres.

4. The information required about Peshawar is not yet available and will be sent as soon as possible.

5. In regard to Kot Najibullah the information required is as follows:—

(i) There are approximately 400 weavers and 200 handlooms (the former figure is half of that given by Mr. Raffe in 1929). The maximum present production is 71,000 yards per mensem. On account of the economic depression, this profession is daily on the decline and the weavers are adopting other means of livelihood.

(ii) The principal classes of cloth woven are lungis of all sorts of colour, khaddar, white dorya and coloured dorya.

(iii) These products are sent to Peshawar and Amritsar markets. They cannot, however, compete with mill products and imported piecegoods.

(iv) There are two classes of lungis. The cost of the first class (labour and yarn, etc.) is Rs. 4-8, that of the second class Rs. 3-12. Lungis of the first class are sold at Rs. 5, those of the second class at Rs. 4. Khaddar and coloured dorya are sold at 12 yards per rupee and white dorya at 15 yards per rupee. About 20 yards of khaddar or dorya is manufactured in a day. A profit of annas 2 in the rupee is obtained on the sale of khaddar and dorya, etc.

(v) The prices realised for the principal classes of cloth in 1929, 1930, 1931 and at present are given below:—

Year.	Cost per lungi.	Cost of khaddar per rupee.	Cost of dorya per rupee.
	Rs.	Yards.	Yards.
1929	8	6	8
1930	6	7	7
1931	5	12	12
1932	5	12	12
(At present)	4	...	...

(vi) Yarns used are both foreign and Indian. Foreign yarns are used for the manufacture of lungis, while Indian yarns are used for khaddar and dorya. Of the latter class mill made yarn is used. The prices of the yarn vary from time to time. "Despite all their very strenuous efforts, however, the weavers find their difficulties enormous because they have to depend on the local banyas for the supply of yarns, mostly on credit, and because the banyas habitually charge them high prices for the yarns together with high rates of interest for debts against their names. This leaves the weavers very little in the way of a margin of profits from their earnings on the finished goods, which are sold to the same middlemen, that is, the banyas, who, as wages, allow the weavers a very small share in the profits. This sorry state of affairs is aggravated by the fact that the weavers do not find enough work to keep themselves fully engaged all the year round." (Raffe—page 3.)

(vii) In the opinion of this Government further protective duties on yarns and piecegoods will appreciably affect the handloom industry.

(viii) There is no silk weaving at Kot Najibullah.

6. Thus, it would appear that further duties on yarn will be of no benefit to the very small portion of this province's population engaged on the hand production of cloth, rather the reverse. At the same time I am desired by the Government of the North-West Frontier Province (Ministry for Transferred Departments) to emphasise the hardship which further protective duties, intended for the benefit of a small portion of the population, are likely to inflict upon the consumers, *i.e.*, practically the whole population of this province, an aspect of the case on which your letter does not touch.

(2) *Letter No. 4851-T. D. N./XXVIII-A. 36, dated the 15th July, 1932, from the Government, North-West Frontier Province, Transferred Departments.*

In continuation of para. 4 of my letter No. 3351-T. D. N./XXVIII-A. 36, dated the 27th June, 1932, I am directed to forward the following information regarding Peshawar:—

(i) There are about one hundred weavers with handlooms at Peshawar who usually weave lungi cloth only. A single weaver can hardly complete one lungi in three days. The total production is about 30 or 35 lungis a day.

(ii) No class of cloth other than lungi is woven.

(iii) A lungi measuring about 5 yards costs from Rs. 2-4 to Rs. 2-8.

(iv) The prices of lungis were comparatively higher in 1929-31 than they are at present and they are not sold in competition with mill products and imported piecegoods but in retail sale.

(v) Foreign yarns are always used.

(vi) Protective duties on foreign yarn would have an adverse effect on the handloom industry in Peshawar district.

Government, of the United Provinces.

Letter No. 354-9/XVIII—478, dated the 29th June, 1932.

With reference to your letters Nos. 170 and 194, dated respectively April 22 and May 9, 1932, on the subject of granting protection to the Indian Cotton Textile Industry, I am directed to say that this Government have not the material which would enable them to give an opinion of any value on the question whether the Indian cotton industry as a whole requires further protection than that which is afforded by the present tariff, or, indeed, whether it really requires precisely the kind or degree of protection which the existing tariff secures to it. The letter from the Upper India Chamber of Commerce to your address, dated June 4, 1932, of which a copy has been sent to this Government, refers to certain correspondence of 1926 as defining the general attitude of the Cotton Mill members of the Chamber towards the enquiry. The letter proceeds to discuss the matter of protection in general terms, but appears to avoid and perhaps even to deprecate reference to precise details of profit or loss incurred by the Industry in upper India. The case of the Chamber appears indeed to rest rather on the extent of the profits which they would prefer to make than on any losses which they can claim to sustain. This local Government are unable to see how it is possible for the Tariff Board to come to any useful conclusions unless a full enquiry is made into the cost of production and the margin of profit which present conditions allow for the textile industry and they hope that this inquiry will be undertaken by the Tariff Board; for they would view with suspicion any claim to protection on the part of an industry which showed itself unwilling to face a full enquiry into these aspects of its operations. Whatever the desire of the local Government to secure legitimate support for a prominent industry, and to guarantee it against loss (and this desire is a genuine one), there is one consideration which must prevail with them. They are bound to demand that full attention should be paid to the interests of agricultural consumers. The textile manufacturer is competent to urge his own case without special assistance from Government; he can command support in the press and secure friends in the legislature; but this Government would be failing in their duty to the agriculturists of the province, on whose well-being not only the stability of the administration but the prosperity of the textile industry depends, if they did not urge on the Tariff Board the necessity of safeguarding the rural consumer against any further rise in the cost of one of the few articles which his means permit him to purchase. The purchasing power of the agriculturist has been greatly lowered by the recent fall in prices, and if the price of cloth is now to be increased, it will inflict a real injury on him and tend in consequence to enhance the exceedingly difficult situation which has arisen owing to the general fall in the price of articles on which the agriculturist depends for his subsistence.

2. So far as cotton piecegoods are concerned, the chief competition at present is between Indian mills and handloom weavers on the one hand and Japanese cloth on the other. The latter is often preferred on account of its cheapness; but the illiterate cultivator does not realise that it is not as lasting and is therefore more expensive in the long run. The local Government would, therefore, suggest that if protection is required it is

particularly against Japanese cloth that it would be justified. As regards cloth manufactured in Great Britain, it has to be pointed out that Indian mills do not as a rule produce cloth of the same quality and finish. It is true that some of them have now started manufacturing cloth from lower counts of yarn and of inferior texture and finishing it in such a way as to resemble superior imported British cloth and customers are purchasing the same. The Tariff Board will no doubt investigate the exact scope of the competition which arises from this development; but at first sight it would appear that if protection is required, it should be limited purely to those counts in regard to which competition arises and not to the finer counts which do not actually enter into competition.

3. The competition of artificial silk piecegoods is almost wholly with handloom weavers. In their interest, it is suggested that the duty on artificial silk yarn should be fairly low, while that on cloth manufactured therefrom may be fairly high. As this kind of cloth is not in common use by the ordinary cultivator, and is chiefly required by the better classes, a slight rise in the price of artificial silk cloth would do no harm, but would benefit the handloom weavers.

4. As regards imported cotton yarn, it is necessary to distinguish between the yarn of high counts which comes chiefly from Great Britain and is required by Indian mills, and that of low counts imported mainly from Japan and used for the manufacture of spurious Swadeshi cloth. The former helps Indian mills; the latter is largely in competition with them. Moreover, the handloom weaver can always use Indian made mill yarn; there is enough internal competition among Indian mills to ensure that the handloom weaver will not be charged high prices for his yarn. If it is found that a duty on imported cotton yarn is actually required, the local Government would suggest therefore that there should be an effective discrimination between the higher counts, the import of which does not affect the Indian spinning industry, and the lower counts which enter into competition with it.

5. A brief note is attached, as required in paragraph 2 of your letter, giving what information is available regarding the condition of the handloom industry in the province. Briefly, it may be said that the Swadeshi movement did give an impetus to handloom weaving but this was of a temporary nature, and, though a certain number of new fly shuttle looms were introduced most of them are now idle. In one market, where an enquiry was made, it was found that the amount of handwoven cloth had dropped from 46·50 lakhs of yards of cloth in 1928-29 to 42·99 lakhs in 1930-31. The chief hope of handloom weavers now is the manufacture of cloth from artificial silk yarn.

Enclosure.

NOTE ON THE QUESTION OF GRANTING PROTECTION TO THE COTTON TEXTILE INDUSTRY WITH SPECIAL REFERENCE TO THE HANDLOOM WEAVING INDUSTRY OF THE UNITED PROVINCES.

(i) *Extent of the industry—Number of weavers and handlooms and approximate estimate of maximum and present production.*

According to the 1921 Census there were 719,486 workers and dependents engaged in cotton sizing and weaving in United Provinces (British Territory). Of these 391,988 were actual workers and of the actual workers 24,779 were partially agriculturists. Latest figures are not yet available. There is not likely to be much difference.

No census of handlooms was carried out. From the District Industrial Survey Reports of Divisional Superintendents of Industries, the number of looms comes to 77,319 (excluding Benares, Mirzapur and Jalaun of which the number of looms is not mentioned in the report). In some places,

weavers have abandoned weaving, but in the majority of centres there has not been any appreciable change in the number of looms. 75,000 looms would be a fair estimate. No statistics of present production for the whole province are available. The estimated production would come to 150,000,000 yards taking eight yards per day as the average production of a loom and 250 full working days in the year. The consumption of yarn would come to 37,500,000 lbs. at 4 yards per lb. (Mr. A. C. Conbrough has estimated 4 yards per lb. in his notes on Indian piecegoods 1921). As against this there were in 1931 22 mills in British United Provinces, producing 85,049,326 lbs. of yarn and 130,001,131 yards of cloth and employing 27,537 operatives. The maximum production of a handloom can be 12 yards (average cloth and average of both throw-shuttle and fly-shuttle looms) per day and in places like Bara Banki the weavers work for 300 days in the year. The maximum production would thus come to 270,000,000 yards.

(ii) *Principal classes of cloth woven and the extent to which they compete in the market with mill products and with imported piecegoods.*

Handlooms produce all kinds of cloth from the finest muslin to the coarsest garha or khaddar and also durries. Names of the more common classes are given below:—

(1) Plain "khaddar"—Plain grey cloth woven out of hand spun yarn only.

(2) Plain garha—Coarse plain cloth woven out of coarse mill made yarn up to 22s counts.

(3) Striped shirting—from 20s to 40s and also of hand spun yarn.

(4) Coating cloth—Twisted yarn up to 2/20.

(5) Dhoti or jora—up to 32s and even 40s.

(6) Loongis—up to 20s.

(7) Towels—10s.

(8) Tapti—coloured check—12s to 16s coloured yarn. Tapti is used for women's petticoat or lahanga.

(9) Fine doria or striped muslin—40s and upwards. Generally imported yarn.

(10) Mulmull—Muslin above 40s.

(11) Pugree cloth—60s to 150s imported (Sikandrabad).

(12) Sarees—32s and upwards with border.

(13) Artificial silk sarees.

The bulk of the handloom products in the United Provinces consists of garha, dhoti or jora, tapti and loongis—all of coarse yarn between 10 and 20 counts.

As far as the fine products of handlooms in the United Provinces are concerned there is not much competition because finer products have been gradually thrown out of the field by mill products and the remaining special varieties—Sikandrabad "Pugree" cloth used in Bombay Presidency, and Mau and Tanda muslin and doria, cater for special demand and there is no competition in these particular varieties with the mills. Of these Sikandrabad pugree cloth is threatened with extinction on account of the Gandhi cap movement in the Bombay Presidency. The coarser varieties compete with the mills or rather the mills, especially Indian and Japan mills, are competing with the coarser varieties. They do not produce exactly similar products but their (mills) coarser varieties are designed to suit the requirements of the villagers—Markin, coarse dhoties and coloured or striped cloth for petticoats. These mill made products are cheaper but the villagers generally prefer handloom products for daily use because of their durability. For ceremonial use they always go in for attractive mill made things as art products of the looms are expensive. The extent of the competition can be seen by comparing the consumption in India of the

coarse varieties of mill made cloth. The bulk of the produce of Indian mills is of cloth made out of yarn up to 30s and the competition is, therefore, greatest with the Indian mills. It may be noted, however, that the increase in the consumption of mill made cloth is not merely due to the deliberate attempt of the mills to oust handloom products but is also due to some extent to the change of fashion even among the never changing villagers and the inability of the weavers to keep abreast of the times.

The following table showing the quantity available of mill made grey goods and of hand woven goods (all kinds) in India during the last three years gives an idea of the extent of competition:—

Year.	Imports in million yards. England.	Japan.	Others.	Indian mill produce.	Indian hand-loom products.
1928-29	582	212	15	1,385	1,077
1929-30	521	394	11	1,795	1,350
1930-31	143	218	4	2,182	1,275

Figures for production of handlooms in India have been obtained as follows:—

From the total quantity of yarn available in India regarding imports and production *minus* exports, subtract quantity consumed by mills. This will give yarn available for handlooms, rope-making, etc. As about 10 per cent. of yarn is produced by hand spinners we leave that out of account for rope-makers, etc., and get production of handloom from the quantity of mill made yarn at the rate of four yards per lb.

It will thus appear that Indian and Japanese mills are competing with handloom products and England is going out of the field. The competition with Indian mills is greatest in coarse goods up to 30s while it is greatest with imported goods in finer counts. As the Indian mills produce the largest quantity of yarn up to 30s and the foreign mills above 40s, in imported goods the Indian mills have not the additional advantage in the supply of yarn.

The following table shows the imports and production of yarn under various counts:—

TABLE I.—*Imports and production of yarn in India.*

	1913-14 PRE-WAR YEAR.		1927-28.		1928-29.		1929-30.		1930-31.	
	Imports.	Production.	Imports.	Production.	Imports.	Production.	Imports.	Production.	Imports.	Production.
	Lbs. 1,000.	Lbs. 1,000.	Lbs. 1,000.	Lbs. 1,000.	Lbs. 1,000.	Lbs. 1,000.	Lbs. 1,000.	Lbs. 1,000.	Lbs. 1,000.	Lbs. 1,000.
Cotton twist and yarn.										
Nos. 1 to 20	1,254	492,693	2,465	494,869	1,998	382,024	1,047	493,382	454	513,739
Nos. 21 to 25	896	123,995	416	182,235	548	140,175	290	181,245	251	166,110
Nos. 26 to 30	3,686	42,999	439	80,836	223	72,838	395	90,579	227	93,345
Nos. 31 to 40	23,657	19,712	27,305	33,757	19,937	37,488	20,050	46,365	14,755	60,747
Above No. 40	7,859	2,699	8,040	11,142	9,331	10,029	9,013	15,279	4,273	27,311
Two folds (doubles)		..	13,633	..	12,604	..	1[illegible]053	..	9,170	..
Unspecified description and waste	(a) 6,819	679	47	6,170	25	5,742	34	6,710	10	5,793
TOTAL .	44,171	682,777	52,345	808,940	43,766	648,296	43,582	833,560	29,140	867,045

(a) Includes white twist and yarn which commenced to be shown separately by counts from April, 1927.

(iii) *Approximate cost of manufacture of typical classes of cloth.*

The handloom weaver has no definite system of costing and usually reckons any margin over what he has actually spent in the manufacture of the fabric (*i.e.*, cost of raw materials) to be his profits. In most instances his earning, including the labour of the rest of his family, does not go beyond As. 6 a day. In the unimportant centres it is not more than As. 4 a day taking the annual average and not the income of the busy season.

The following is the cost of manufacture of some typical varieties based on 1931 rates of yarn and on the system of costing followed in schools:—

Cost of production of garha of 12½s count (mill made, 12 yards × 27″, weighing 1½ lbs.)—

	Rs.	A.	P.
(1) Cost of 1½ lbs. of yarn at Rs. 3-14 per bundle of 10 lbs.	0	9	4
(2) Wastage of yarn (1½ oz. at 6¼ per cent.) . .	0	0	7
(3) Sizing, etc.	0	0	7
Total cost of material .	0	10	6
(4) Warping and weaving charges at As. 1-3 per yard.	0	15	0
	1	9	6

This sells for about Rs. 1-12 and gives a profit of As. 2-6. It may be noted, however, that the weaver does not generally sell to the consumer but to the dealer and he is lucky if he realized even Re. 1-9-6. He has often to sacrifice a part of his wages.

Garha is typical all over the province and the cost of production varies from As. 1-6 to As. 2-6 per yard including wages according to quality of yarn used, number of picks per inch and width.

Cost of production of other varieties is as follows:—

2. Coating cloth made out of twisted 10s yarn, width 27″ to 32″, 12 yds. in lengths, weighing 2¼ lbs.—

	Rs.	A.	P.
(1) Cost of 1¼ lbs. 2/10s grey yarn at Rs. 5 per bundle	0	12	0
(2) Cost of 1 lb. 2/10s dyed at Rs. 5-8 per bundle	0	8	10
(3) Cost of 2¼ oz. yarn wasted in the manufacture	0	1	3
(4) Miscellaneous including sizing material .	0	1	0
	1	7	1
(5) Warping and weaving charges at As. 2 per yard (design weaving)	1	8	0
Total cost .	2	15	1
or about .	3	0	0
Selling price of 27″ width at As. 4-6 per yard .	3	6	0
Profit per piece .	0	6	0

	Rs.	A.	P.
3. Towels—12 towels, 1 yard×27" each made out of 2/10s cotton yarn weighing 2 lbs.—			
(1) Cost of yarn (2 lbs.—2 oz. of wastage) at Rs. 5 per bundle	1	1	0
(2) Miscellaneous	0	0	9
Material .	1	1	9
(3) Warping and weaving charges at As. 1-3 per yard	0	15	0
Total cost .	2	0	9
Selling price at As. 3-3 per towel . . .	2	7	0
Profit .	0	6	3

4. Bed sheets or dotais—Pair of $2\frac{3}{4}$ yards long, $1\frac{1}{2}$ yards wide with red borders, weighing $2\frac{1}{2}$ lbs. yarn 2/20s—

	Rs.	A.	P.
(1) Cost of $2\frac{1}{2}$ lbs. of 2/20s cotton yarn and $2\frac{1}{2}$ oz. of wastage at Rs. 6 per bundle . .	1	9	6
(2) Cost of sizing materials, etc.	0	1	6
(3) Dyeing charges of yarn for border . . .	0	0	6
Raw materials .	1	10	6
(4) Warping and weaving charges at As. 2 per yard (twill weaving)	0	11	0
Total cost . . .	2	6	6
Selling price . .	2	12	0
Profit	0	5	6

The following statement supplied by the Superintendent, Hewett Weaving School, Bara Banki, gives the cost of production and sale prices of typical Bara Banki goods.

Table II.

Name of yarn.	Cost price of manufactured article excluding wages.						Sale price of manufactured goods including wages.							
	Garha.		Dhoti jora.		Lungis.		Garha cloth.		Dhoti.		Lungis.		Yarn particulars	
	Size.	Price per yard.	Size.	Price per pair.	Size.	Price per piece.	Size.	Price.	Size.	Price per pair.	Size.	Price.	Count of yarn.	Price per bundle.
		Rs. A.		Rs. A.		As. P.		Rs. A.		Rs. A.		As. P.		Rs. A.
1929 . . .	9 to 9½ yards.	1 2	9 yards to 10 yards by 40".	1 2	2¼ yards to 2½ yards by 38" to 40".	5 0	9 yards to 9½ yards by 30" to 40".	1 10	9 yards to 10 yards by 40".	1 12	2¼ yards to 2½ yards by 38" to 40".	7 6	16½s 20½s	6 0 7 0
1930 . . .		1 0		1 0		4 0		1 8		1 10		7 0	16½s 20½s	5 0 6 0
1931 . . .		0 14		0 14		4 0		1 6		1 8		6 0	16½s 20½s	4 0 5 0
Current year 1932 .		0 13		0 13		3 6		1 2		1 4		5 0	16½s 20½s	3 8 4 8

(iv) Prices realised for principal classes of cloth in 1929, 1930 and 1931 and current prices, prices of comparable classes of mill made and imported cloth at each period

The following table gives an idea of the prices of khaddar (hand spun and woven plain cloth), garha and jora (dhoti):—

	1929			1930			1931			Current		
	Rs	A	P	Rs	A	P	Rs	A	P	Rs	A	P
Khaddar, per yard	0	5	0	0	4	6	0	3	6	0	3	9
Garha	0	2	8	0	2	1	0	2	0	0	2	2
Dhoti	2	8	0	2	4	0	2	0	0	2	1	0

Markin of the Indian and foreign mills compares with garha and khaddar. Price of markin at present is As. 3-3 per yard of 36" width while garha is between 25" and 27" wide only.

Indian mill made dhoti varies from Re. 1-12 to Rs. 2 per pair, Japanese Re. 1-14 to Rs. 2 per pair and English Rs. 2-4 to Rs. 2-10 per pair. We have not any record of previous prices of mill made cloth but it is stated that prices of Indian mill made products were cheaper by As. 2 in the rupee and imported above As. 3 in the rupee.

Recently an enquiry was conducted on the relative prices of British, Japanese and Indian articles. It was found that there was no comparison on quality between Indian and imported products. Indian mills were trying to produce cheap articles that looked equal to imported but were actually much inferior and so no correct idea of the comparable prices could be formed. Moreover prices of imported goods were found to be specially reduced and much lower than replacement prices as many merchants were trying to get rid of their stock for fear of the boycott movement.

(v) Kinds of yarn used—Indian or foreign mill made or hand spun, counts of yarn, approximate proportion in which each is used, prices of different kinds of yarn.

All kinds of yarn, hand spun, Indian mill spun and foreign mill spun are used. Indian mill yarns are used in largest quantity. Use of hand spun yarn is popular in the Western districts of the United Provinces where it is 1/2 although at present a little is used everywhere for making khaddar. It is also used for making durries all over the province.

Imported mill made yarn is used for "pugree cloth, saries, doria and muslin." Use of imported yarn (cotton) is being gradually abandoned due to mill competition and Swadeshi movement.

Counts of yarn.—10, 16, 20 and 22 are most popular among Indian mill made counts in singles and 2/10, 3/10 and 6/10 twisted for durries.

(vii) Extent to which protective duties on (a) yarn and (b) piecegoods will affect the handloom industry and whether the claim of the Indian Cotton Textile Industry to protection has been established; if the claim is found to be established in what form protection should be given and to what extent.

The handloom industry is likely to profit equally with the Indian mill industry from any protection that may be given to the latter in respect of cloth. It may be said, however, that the interests of the handloom industry and of the Indian mills are conflicting in respect of protection to Indian mill made yarn. However, if protection is given against imported cloth there is no reason why imports of foreign yarn should be allowed freely into India to be converted into spurious Swadeshi cloth here. Further the number of mills in India is so large that any protection given to them in respect of imported yarn is not likely to result in the unfair raising of prices of Indian made yarn *vis-a-vis* the handloom weaver. Internal competition will guarantee that the prices charged for Indian made mill yarn are the lowest minimum possible under the circumstances existing in

India and as the handloom weaver will profit by the protection given against imported cloth he will not be in a worse position compared with mill made cloth than before. I do not think, therefore, that the interests of the handloom weavers should stand in any way in the path of whatever protection is considered suitable in the interests of the Indian mill industry against imported cloth as well as yarn.

Government of Bombay.

Letter No. 4861—VI—D, dated the 6th July, 1932.

In reply to your letter No. 170, dated April 22nd, I am directed to forward for the information of your Board a note prepared by the Director of Industries, Bombay Presidency, giving the information called for by you and in particular furnishing the detailed information which you require regarding the handloom weaving industry. It will be observed that the note is restricted to a statement of facts. I am to explain that it is presumed that the Director of Industries, the Director of Agriculture, and possibly other officers of this Government will be afforded by the Board an opportunity of giving evidence orally and that they will then be at liberty to put up for consideration any suggestions that they may desire to make for the improvement of the present position.

2. The Government of Bombay have refrained from expressing their own views on the general questions referred to your Board at this stage. This is not because they are not fully alive to the vital importance of the issues that have been raised to the Cotton Textile Industry of this Presidency, but because they have not the full facts of the case before them and in an economic investigation of this kind they feel that it is essential to obtain a clear appreciation of the various factors that bear on the position before they commit themselves to a particular line of policy. While they would prefer to defer their opinion generally until the Report of the Board is before them, I am however to say that if any particular point emerges in the course of their investigation on which your Board desires to have the considered opinion of this Government, they will gladly do their best to collect the relevant material and to formulate their views on receiving a reference from you.

3. At the present stage it is understood that the investigation is confined to the economic aspects of the problem. There are however other aspects. Any recommendations affecting the mill industry that may be made on strictly economic grounds are bound ultimately to react on the general position of the labouring classes in cities and particularly in the City of Bombay. The problem of unemployment is closely connected with questions of public order, and it is certain that no final decision can be taken by the Government of India which does not take full account of this aspect of the question. I am to say that the Government of Bombay take it for granted that after your Board have reached their conclusions, they will be given an opportunity by the Government of India of examining the proposals from the broader standpoint which I have indicated before any final decision is taken.

Enclosure.

Note on the Inquiry of the Tariff Board in connection with Textile Industry.

The Mill Industry.

The condition of the Industry.—For the year ending 31st August, 1931, there were in the Bombay Presidency 218 mills with a total number of spindles amounting to 6·29 millions and a total number of looms to 138,153. Cotton consumed by these mills amounted to 5·471 million cwts. The paid-up capital of these mills was Rs. 24·02 crores. Out of these, 81 mills

were situated in the Island of Bombay and 76 mills in Ahmedabad. In the year 1930-31 the total production of the mills in this Presidency was 476 million lbs. of yarn and 1,830 million yards of cloth. The Textile Industry of this Presidency in recent years has been passing through very critical times. 73 of the mills situated in the Bombay Island showed in the year 1928 an aggregate loss of Rs. 2·99 crores. In 1929, 76 of them suffered an aggregate loss of Rs. 2·31 crores and in 1930, 71 an aggregate loss of 2·37 crores. For the year 1931 reports of 41 of the Bombay Island mills have been received so far and it is found that 27 of these lost Rs. 42 lakhs, 5 made a profit of about Rs. 5·1 lakhs and 9 a profit which was absorbed in the debit balance of the past year.

In Ahmedabad 59 of the mills in 1928, 58 in 1929 and 61 in 1930 made an aggregate profit of Rs. 50 lakhs, Rs. 67 lakhs and Rs. 48·38 lakhs respectively.

The approximate value of the block capital of the Ahmedabad mills varied from Rs. 13·67 crores in 1928 to Rs. 15·35 crores in 1930. Although the total paid-up capital of the same Ahmedabad mills was in the neighbourhood of Rs. 4·32 crores, when considering the question of net profits it will be reasonable to relate them to the block capital and if this is done then the percentage earned on the block capital varies only from about 3 per cent. to 4½ per cent in the above years. As against this, most of the Bombay Island mills have been losing.

2. *Duty on cotton piecegoods and yarn.*- The rates of import duty are 25 per cent *ad valorem* or 4⅜ annas per lb. whichever is higher for the British and 31¼ per cent. or 4⅜ annas per lb. whichever is higher for non-British imports of piecegoods. The duty on imported yarn at present is 6¼ per cent. *ad valorem* or 1⅞ annas per lb. whichever is higher both for British and non-British yarn. These rates include the 25 per cent. surcharge which came into effect from 30th September 1931.

3. *Duty on artificial silk yarn and piecegoods.* -The rates of duty at present in operation for artificial silk piecegoods are 50 per cent. *ad valorem* and for artificial silk yarn 18¾ per cent. *ad valorem*. These rates should also be maintained in the interests of the Indian Industry.

Effect of the above duties on the Handloom Industry.

4. *Preliminary.*—Next to agriculture handloom industry provides employment to the largest number of persons in India.

According to the Census of 1921 there were at that time about 2 million handlooms in India The vitality of the industry may be judged from the fact that in spite of the rapid development of the mill industry as evidenced by the increase in production from about 354 million yards in 1896-97 to 2,561 million yards in 1930-31, the production of handlooms increased progressively from 784 million yards in 1896-97 to about 1,355 million yards in 1930-31.

In the Bombay Presidency as shown in Schedule No. 1 there are no less than some 1,100 weaving centres with something like 100,000 handlooms The value of the present average production of cloth in the Bombay Presidency may be put down as Rs. 4½ crores per annum as against a maximum in times of better trade conditions of about Rs. 6 crores.

Over 80 per cent. of the hand weavers in this Presidency are engaged by Sowkars and are paid wages per piece of cloth. Only a small proportion of them have the necessary resources to manufacture and market cloth on their own account.

5. *Alternative methods of consideration.*—The hand weaving industry is no doubt benefited by the duty on piecegoods. The same cannot, however be said of the duty on yarn which tends to make the chief raw material of the hand weaver dear. It is not possible to find out the effect of the duty on yarn on the total production of handlooms. As over 80 per cent. of the weavers are wage earners the effect of the duty may be considered in the

terms of wages earned by the weavers before and after the duty was increased in 1927 from 5 per cent. *ad valorem* to 5 per cent. *ad valorem* or $1\frac{1}{2}$ annas per pound whichever is higher.

Alternatively it may also be seen if the abolition of the duty on yarn is likely to enable the handloom products to compete with the mill products better than they do now.

6. *Investigations.*—Enquiries have from year to year since 1927 been carried out at the following weaving centres in the Bombay Presidency:—

Southern Division.—Belgaum, Hubli, Dharwar, Gadag.

Central Division.—Sholapur, Bhingar, Ahmednagar, Malegaon, Dhulia, Dharangaon.

Sind.—Hala, Tatta, Nasarpur.

Northern Division.—Chikhli, Surat, Broach.

Schedule No. 4 contains statements showing the types of cloth produced in each of the above centres, yardage per piece, price per piece and wages earned by the weavers since August 1927.

7. *Centres of specialised cloth.*—In centres like Belgaum, Dharwar, Hubli and Tatta, where cloths are produced which do not come into competition with mill produced cloths the wages remained practically constant up to November, 1929. The duty on yarn was altered in 1927 from 5 per cent. *ad valorem* to 5 per cent. *ad valorem* or $1\frac{1}{2}$ annas per pound whichever is higher. This meant roughly 7 per cent. *ad valorem* more duty.

It will be noted that in spite of the fact that there was increase of duty, yet where the cloths manufactured do not come into competition with mills, the weavers' position remained more or less unaltered. Subsequent to 1929, however, there has been a definite set-back in wages even in centres where specialised cloths are produced. The wages have declined for instance in Belgaum centre from Re. 1-8 per piece in November, 1929, to Re. 1 in November, 1930, and 12 annas at the present time. In another centre Dharwar the wages have declined from 14 annas in November, 1929, to 10 annas in May, 1932. The same remarks apply to other centres, *viz.*, Hubli, Gadag, etc.

8. *Centres of ordinary cloths with organisation.*—In other centres like Sholapur where although in many cases cloths are manufactured which come in competition with similar products of mills, wages did not alter materially as between the date of the increase in duty in 1927 up to November, 1929. Since November, 1929, however, the wages have declined considerably. As for instance in Sholapur wages of a weaver for a piece of cloth in August, 1927, were 12 annas, in November, 1929, 11 annas, in November, 1930, 10 annas and in May, 1932, 8 annas. In these centres the reason why wages remained almost unaltered although the duty was increased in 1927 is because the industry is organised on small factory basis and the proprietors of these factories have the necessary means to carry out fairly good selling programme and can buy in large quantities their yarn, etc. The decline after 1929 is no doubt due to severe trade depression.

9. *Centres of ordinary cloths without organisation.*—In centres like Dharangaon, Bhingar, etc., where handlooms manufacture cloths which are also manufactured by mills and where there is a lack of organisation and the weavers work individually in their own homes the wages have declined continuously from August, 1927, when they were Re. 1 per piece of cloth to 10 annas in November, 1929, as against 8 annas in May, 1932. There can be little doubt that the decline in the first 3 years since 1927 was due to the increase in duty and lack of organisation amongst the weavers in these centres and latterly to these two causes has been added the severe trade depression.

10. *Possible effect of abolition of duty on wages.*—The bulk of the weavers in the Bombay Presidency use 20s to 40s counts of yarn, which are both imported and made in the country and their prices are affected by the import duty on yarn. In many centres cotton saris which are

produced are mostly 8 yards in length. The weight of yarn used per sari will be approximately 2 lbs. for 20s yarn involving a cost of about Re. 1 for the yarn. If the price of such yarn came down by the full specific duty of 1¾ annas per pound it will make a difference of 3·75 annas per sari which can be woven in about 1½ days. In the case of a sari of 8 yards of 32s counts the total quantity of yarn required will be about 1½ lbs. Therefore the difference will be approximately 2·8 annas per sari which will be woven in 1½ days. For finer counts this difference will be increasingly less. The weaver's wages for a sari of 20s counts have come down in centres like Malegaon from 12 annas in August, 1927, to roughly 7 annas in May, 1932. In Dharangaon in the case of 32s counts the wages have gone down from Re. 1-2 in August, 1927, to 8 annas in May, 1932. In Broach and Chikhli saries are 5 yards in length and the yarn used is 20s, 24s and 32s counts; the wages per sari in Broach have gone down in the case of 20s counts from 14 annas in 1927 to 5 annas 9 pies in May, 1932. In Chikhli for 32s counts the wages have gone down from Rs. 1-5-4 per sari in August, 1927, to 13 annas in May, 1932.

11. From the facts given in paragraphs 8 to 11 it will be noted that where the hand weaving industry produces cloths which do not come in direct competition with products of mills the wages earned by weavers remained unaltered for a considerable period after 1927 when the duty was changed that is virtually increased from 5 per cent. *ad valorem* to 5 per cent. *ad valorem* or 1½ annas per pound whichever is higher. The wages remained unaltered right up to 1929, after which they have declined, but this change must be ascribed to trade depression. In centres where the industry is organised on factory basis the weaver in the first 3 years after the increase in duty suffered practically a reduction in wages. He has suffered considerable reduction since 1930 and this must be ascribed to trade depression. In other centres where the weavers suffered from mill competition and the industry was unorganised, there has been continuous reduction since August, 1927, until at the present time there is a reduction varying from about 11 to 60 per cent.

If the duty on imported yarn were entirely abolished and the price of yarn fell to the full extent of the duty and the entire resulting benefit were passed on to the weaver in wages as shown in paragraphs 8 to 11 it will be about 1½ annas to 2 annas per day. This sum is small when compared to the reduction in wages since 1927 which in many centres is something like 60 per cent. This applies to cloth of 20s counts; the benefit will be increasingly less for 32s counts and upwards.

12. *Alternative method of consideration.*—This matter of the effect of the duty on hand weavers may also be examined in an alternative manner in connection with the cost of production. A reference is invited to Schedule 3 hereto in which detailed costs of manufacture are given. In the Southern Division of this Presidency, in Belgaum, cloth called Panchas (No. 4 in Schedule 3) is produced from 20s warp and 16s weft. A piece is sold at Re. 1 including wages at 6 annas per day payable to the weaver. Similar mill made article is sold for approximately Re. 1 which will show that in coarse counts handlooms are able to compete with power looms. If the import duty on yarn were entirely abolished, it is not likely that the reduction in price of yarn which will be 1¾ annas per piece of cloth will be passed on to the weaver. It will enable the Sowkar to sell the cloth a little cheaper. This in turn is likely to increase the demand and thereby in an indirect way it is possible that where the weavers are organised there may be some slight appreciation in wages. Taking a different type of cloth, *viz.*, Uparni, a typical product of Gadag (Sample No. 5 of Schedule 3), the cost of manufacture is Rs. 5-2-6. If the duty were entirely taken off, the reduction in the cost of manufacture provided the price of yarn came down by the whole of the amount, would be 2 annas 1 pie, which means that the cost of manufacture will come down to Rs. 5-0-5. Similar mill made article is sold at Rs. 5. Here again the reduction in duty would enable the handloom product barely to compete with the mill product.

If another typical cloth sari is taken of 30s warp and 30s weft (item 9 in Schedule 3), it will be seen that the cost of manufacture of such sari is Rs. 2-1. If the price of yarn came down by the full extent of the import duty if it were abolished, the reduction in cost of manufacture will be 2 annas 6 pies. Therefore, the sari can be sold at Rs. 1-14-6 including about 8 annas wages. Similar mill made sari is sold at Rs. 1-12. Abolition of the duty will not enable the weaver to compete with mills. A further example may be taken of sari produced in the Central Division at Bhingar (item 15 in Schedule 3). Here it will be seen that the cost of production is Rs. 5. If the duty were entirely abolished the reduction in cost will be 2 annas 10 pies. The cost of manufacture will therefore be reduced to Rs. 4-13-2 including the wages of the weaver. Similar mill made article is sold at Rs. 4-8. The abolition of the duty would not enable the hand weaver to compete with mills. Another typical cloth, susi, produced at Hala (item 27 in Schedule 3) may be considered. This cloth is manufactured at Rs. 3-6 with 2 lbs. of yarn. If the duty were abolished and the price of yarn came down to the full extent the reduction in cost of manufacture will be 3 annas 9 pies. In other words the price of the cloth will be Rs. 3-2-3 including wages of the weaver. Similar mill made article is sold for Rs. 2-5, so that the abolition of the duty will not enable the weaver to compete with the mills. A still further example may be taken of saris produced at Chikhli in the Northern Division (item 40 in Schedule 3). The cost of manufacture of 6 pieces is Rs. 21-1 covering yarn of 8 lbs. 8 tolas. If the duty were abolished the cost of production would decrease to Rs. 20-1-8. Similar mill made article is sold at Rs. 20. In this case the hand weaver's production will be enabled to meet mill competition. There will thus in this case possibly be increased consumption which is likely to lead to increased employment of the weavers and therefore slight appreciation in wages.

13. *Conclusion regarding the effect of the duties on cotton piecegoods and yarn on the handloom industry.*—In this Presidency experience has shown, supported by figures given in Schedule 2, that handloom compete with mills in counts of 20s and below and in fine counts, the latter being used in fine cloths which are often not made by mills. In medium counts handlooms do not compete with power looms and the difference generally speaking is so big that mere abolition of the import duty on yarn will not in most cases bridge the gap. Similarly, the abolition of duty on yarn by itself is not likely to benefit the hand weaver in the shape of wages to any extent.

14. *Conclusion regarding the effect of duties on artificial silk cloth and yarn on handloom industry.*—The duty on artificial silk piecegoods was 20 per cent. *ad valorem* prior to 1931, in 1931 it was 40 per cent. *ad valorem* and it was increased in September, 1931, to 50 per cent. *ad valorem* and that on artificial silk yarn was increased from 10 per cent. to 18¾ per cent. *ad valorem*. The retention of duty on piecegoods would help the handloom industry to compete with similar imported articles. It would also help the local mill industry. As regards the duty on artificial silk yarn, the bulk of the hand weavers use this yarn mostly for sari borders. The total quantity of artificial silk yarn that is used per sari will be a matter of a few tolas, as will be seen from Schedule No. 3 covering details of the cost of production. If the duty on artificial silk yarn were totally abolished it will make a negligible difference in the total cost of production of such cloths.

15. *Assistance required by the hand weaving industry.*—There are several directions in which the hand weaving industry stands in very considerable need of State help. Some of these are as follows:—

(a) Training of suitable men who may organise the handloom industry on factory basis.

(b) Introduction of improved appliances.

(c) Assisting the handloom weavers to weave cloths which do not come in direct competition with mills.

(d) Helping the people concerned to organise in each of the large handloom centres one or more small factories for sizing the yarn and supplying same in ball warps to weavers and for calendering and finishing cloths produced on handlooms.

(e) Helping weavers in each handloom centre to organise themselves for collective purchase of raw materials.

(f) Helping weavers to find markets for their finished products beyond the restricted areas to which they now have access.

Government of the Central Provinces.

Letter No. 1366/1143/XIII, dated Nagpur, the 8th July, 1932.

I am directed by the Government of the Central Provinces to refer to Tariff Board letter No. 170, dated the 22nd April, 1932, on the subject of granting of protection to the cotton textile industry.

2. The local Government is unable to give a definite opinion on the points which have been referred to the Tariff Board without a detailed enquiry which the Board itself will have to make before formulating its conclusions. The general trend of the industry since 1930 is indicated in a letter and a note from the Director of Industries of this province which accompany this letter. In particular attention is invited to the necessity for enquiry by the Tariff Board into the effect of the enhanced duties on consumers as stated in para. 7 of the Director of Industries' letter.

3. There is no doubt that the pressure of foreign competition has certainly been reduced and the output of the Indian mills, including that of the finer yarns, has considerably increased. The period, however, has been too abnormal to enable the Indian mills to put their house in order and the plea that protection has not had a full trial is not perhaps without force.

4. The effect of protection on the handloom industry is brought out in the Director of Industries' note. Handloom weavers have not suffered so severely as they might, because they generally produce goods (mainly sarees) which are of specialised patterns, supplying the local needs of classes who have not taken to mill made products. But the figures given in the statements accompanying the note show that these weavers are paying more for their yarn and their total output and margin of profit is reduced.

5. The main argument against protection is that the desired results have been attained by the boycott of foreign cloth and the encouragement of swadeshi, both khaddar and mill made. This movement has probably operated more effectively as protection than any action taken by Government. It cannot, however, be regarded as a permanent substitute for protection, as its reaction on the consumer is doubtless ephemeral.

Copy of letter No. 2017/D, dated Nagpur, the 11th/13th June, 1932, from the Director of Industries, Central Provinces, to the Secretary to the Government of the Central Provinces, Commerce and Industry Department.

Subject:—Enquiry by the Tariff Board into protection of the textile industry.

I have the honour to invite a reference to the correspondence resting with Mr. Verma's endorsement No. 1012/958/XIII, dated the 20th May,

1932, calling for a report on the above subject and to state that the time allowed has really been too short for a detailed examination of a complicated subject like this. The larger mills like the Empress Mills are apparently submitting consolidated representations for their entire groups of mills; while some are only subscribing to the representation to be submitted by the Bombay Millowners' Association of which they are members. I have not had the advantage of seeing these representations and the opinions received from a few smaller mills are of a general character and do not provide much helpful material. I, therefore, set forth below such views as one can form on the limited material collected so far. It appears that the Tariff Board only wants the preliminary views of the Government on the main issues prior to framing its questionaire, when the questionnaire is received I expect to be able to obtain more detailed information on the subject.

2. The first and the main question is: Whether the claim of the Indian cotton textile industry to protection has been established. A reply to this question would depend on (1) the extent to which the circumstances which led to the grant of the increase protection since the 1st April, 1930, are operative at present, and (2) the effects which the enhanced import duties have had on the progress and development of the Indian textile industry since the 1st April, 1930.

3. I would take up (2) first. Detailed cotton statistics for 1930-31 are now available while general statistics for 1931-32 have been worked out on the basis of the actuals of the ten months ending January, 1932. (It is necessary to lay all-India statistics under contribution as some important details of provincial mills are not available.)

Imports of piecegoods of all kinds [three broad classes: (1) greys (or unbleached), (2) coloured and (3) whites (or bleached and of finer counts)] decreased from 1,919 million yards in 1929-30 to 890 million yards in 1930-31 and to 701 million yards in eleven months of 1931-32 (Statement A). Greys are the staple production of Indian mills and foreign competition is most keen in respect of them and the imports of greys in 1930-31 were the lowest on record for the last thirty years. Imports of yarn (Statement B) have also gone down from 43 million lbs. in 1929-30 to 29 million lbs. in 1930-31 and 29 million lbs. in eleven months of 1931-32. Production of piecegoods in Indian mills increased from 2,418 million yards in 1929-30 to 2,561 million yards in 1930-31 and 2,950 million yards (roughly) in 1931-32; that of yarn from 833 million lbs. in 1929-30 to 867 million lbs. in 1930-31 and to 798 million lbs. (for ten months) in 1931-32. The mills in all parts of India shared in the increase in the production. Statistics of the mills of our province also partly bear this out (Statement C).

It is thus clear that the Indian industry has made great strides during this period of two years and India's main competitors (United Kingdom and Japan) have lost considerable ground to it. This result cannot however be attributed solely to the tariff duties. The boycott movement (*cum* the swadeshi feeling) has also been largely responsible for it. It is hardly possible to measure the exact effect of either factor. The reduced purchasing power of the consumers must also have partly been responsible for the fall in imports although this must have affected both the foreign as well as the indigenous trade. The boycott became really effective from about July, 1930 and it appears from the Review of the Trade in India in 1930-31 (pages 23 and 24) that the reduction in imports and rise in Indian production became perceptible even in April, May and June, 1930, and so it is clear that the protective duties must be responsible for the result to a considerable extent.

4. Coming to (1) in para. 2 above it may be noted that in 1927 the Tariff Board paid special attention to the depressed condition of the mills in Bombay (where the textile industry is contentrated and the mills of which pressed the demand for protection most strongly) and attributed this condition to various causes like overcapitalisation, higher labour charges,

distance from markets, uneconomic business methods, etc. (Chapters VI and VII of the Tariff Board's Report). The Board also made certain recommendations for the more efficient "rationalisation" of the Bombay mill industry. I have no very authoritative information to show to what extent these disabilities have been removed and the Bombay mills have carried out such reorganisation of their concerns. Information available in the periodical literature on the subject (*e.g.*, the Indian Textile Journal published in Bombay) is conflicting. It is, however, obvious that the two abnormal years of protection could not be sufficient to enable the millowners to carry through any effective schemes of reorganisation and rationalisation.

Keen competition from Japan was, however, the main reason for the grant of the protection in 1930 (*vide* Chapters V and XI of the Tariff Board's Report). This competition has certainly gained much strength during the two years. The imports of twist and yarn from the United Kingdom went down (by 50 per cent.) to 10,315 thousand lbs. in 1930-31 and 10,692 thousand lbs. in eleven months of 1931-32, from 20,112 thousand lbs. in 1929-30 while those from Japan to 6,895 thousand lbs. and 5,616 thousand lbs. (in eleven months) from 10,870 thousand lbs. respectively (Statement D). Again as compared with 1929-30 (Statement E), the imports of greys from the United Kingdom fell by 73 per cent. in 1930-31 but those from Japan fell by 45 per cent.; imports of whites from the United Kingdom fell by 47 per cent. in 1930-31 (from 436 million yards to 230 million yards) while those from Japan increased from 14 million yards to 28 million yards. (Japan's share in imports of whites was small up to 1927-28). In coloured goods Japan's imports fell by 52 per cent. in 1930-31 while the United Kingdom's imports fell by 47 per cent. In artificial silk goods Japan's imports, however, increased from 25 million yards in 1929-30 to 38 million yards in 1930-31 and 67 million yards in the eleven months of 1931-32 (in spite of a fall in the total imports and falls in the imports of all other countries including the United Kingdom).

The Indian industry has made considerable progress. Indian millowners are stressing the argument that as soon as the protective force of the boycott disappears the industry will receive a setback unless further protection is given. The Japanese competition is being daily accentuated. The two years of protection have synchronised with an unprecedented economic depression and abnormal political unrest. The Indian millowners have thus been handicapped in overhauling the industry and the policy of protection has not had a fair chance. It seems to me, therefore, that there is a case for the extension of the protective regime for another period of say 3 years. The few mills who have sent opinions urge the same view.

5. The next question is: If the claim is found to be established in what form protection should be given and to what extent. Both the protective duties and the boycott have partly kept out foreign competition; and the fall in imports has been made good by the increase in the production of Indian mills. Protection should, therefore, be in the form of import duties. There was an alternative suggestion by the Tariff Board for the grant of bounty on the production of finer counts. The progress made in the output of finer counts (*vide* para. 6 below) has weakened the case for any such bounty.

It is difficult at this stage without a more detailed investigation to express any opinion about the extent of protection to be given.

6. Is the same rate of protection required against the United Kingdom as against other countries? This is a very difficult question and for any responsible opinion one must await the results of the detailed enquiries of the Tariff Board. One or two relevant facts may, however, be noted.

Inspite of the duties on our imports from the United Kingdom being ~~less by 5~~ per cent. the fall in these imports has proportionately been much heavier than that in the imports of other countries, especially Japan. This is presumably to be largely attributed to the boycott movement; but the argument is being stressed by Indian millowners that a case for protec-

tion against the United Kingdom has been made out to the extent to which the reduction in British imports has been responsible for the recent increase in Indian production.

The main justification for lower duties on imports from the United Kingdom was stated in 1930 to be "that the bulk of British goods imported into India were woven from the finer counts or yarn, and it was not likely that, within a period of three years the Indian manufacturer would be able to produce any substantial quantity". (Speech of the Hon'ble Commerce Member in the Assembly). Within the last two years there has, however, been a marked increase (Statement F) in the manufacture of finer goods and finer counts of yarn (causing a much larger import of long staple foreign cotton). The total output of counts above 40s increased from 15 million lbs. in 1929-30 to 27 million lbs. in 1930-31 and 25 million lbs. in the first three quarters of 1931-32; while including counts from 31s to 40s the output of Indian mills comes to 61, 87 and 103 million lbs. for 1929-30. 1930-31 and 1931-32 respectively. [The mills of our province have also shared in this increase (Statement G).] The figures of 1930-31 were considered to be record ones (pages 28 and 29 of Review of the Trade of India). The total production of finer goods manufactured from counts above 31s is reckoned at 31 per cent. of the total manufactures in India during 1931-32. The Indian Millowners are laying great stress on this increase in the output of finer goods and the Tariff Board will no doubt attach due weight to it.

The general principles on which the duties on British manufactures are fixed are (1) that their scales should be such as would enable Indian mills to replace such British goods as they have the equipment for manufacturing at reasonable costs; and (2) that the cost to the consumer should not be unnecessarily increased by imposing the higher rates of non-British goods on such British goods (finer manufactures) as are not in effective competition with Indian made goods. All we can say at this stage is that this general policy may be adopted with such modifications as the recent growth of the Indian industry would justify.

7. The Government's views on the rates of duty have also been wanted. I am afraid it is not possible to formulate any exact rates at this stage. By the Supplementary Finance Act of September, 1931, the duties have been raised to very high figures (25 per cent. *ad valorem* or 4⅜ annas per lb. whichever is higher, for British grey goods and 31¼ per cent. *ad valorem* or 4⅜ annas per lb. whichever is higher, for non-British goods). Whether these rates are imposing any disproportionate disabilities on consumers and whether they require revision are questions on which any definite views can be expressed only after the enquiry of the Board is completed.

8. As regards paragraph 2 of the Tariff Board's letter No. 170, dated the 22nd April, 1932, I enclose herewith a note showing the position of the handloom weaving industry in the province and the effect on that industry of the import duties introduced by the Indian Tariff Cotton Yarn Amendment Act, 1927, and the Cotton Textile Industry (Protection) Act, 1930. I should again state that the time given by the Tariff Board for a report on the handloom industry in the province has been too short to permit of detailed enquiries being made at important centres in the province. The information given in the enclosed note is derived from Nagpur and office records. The information, therefore, is not as extensive as it might have been.

9. As regards the Tariff Board's letter No. 194, dated the 9th May, 1932, it may be stated that the handloom industry in this province is unaffected by the existing import duties on artificial silk yarn and piecegoods as the handloom weavers do not manufacture any cloth out of artificial silk.

10. I regret it has not been practicable to submit this reply earlier. I enclose in original the opinions received from some of our mills which may kindly be returned.

Statement A.—*Imports of cotton piecegoods into India.*

(In millions of yards.)

Year.	Grey goods.	White goods.	Coloured goods.	Total piecegoods
1928-29	839	554	507	1,937
1929-30	926	474	483	1,919
1930-31	365	272	246	890
1931-32 (for 11 months) .	231	248	199	701

Statement B.—*Imports of foreign yarn into India and production of yarn in Indian mills.*

Year.	Imports. lbs. (1,000)	Indian mill production. lbs. (1,000)
1926-27	49,425	807,116
1927-28	52,345	808,940
1928-29 . . .	43,766	648,296
1929-30	43,882	833,560
1930-31 . . .	29,140	867,045
1931-32	29,576 (11 months' figures.)	798,821 (10 months' figures.)

Statement C.—(1) *Yarn produced in the Central Provinces and Berar mills (in British India).*

Year.	Quantity in pounds.
1929-30	. 45,110,508
1930-31	. 45,102,511
1931-32	. 44,776,103

(2) *Woven goods produced in the Central Provinces and Berar.*

Year.	Quantity in pounds.
1929-30	. 21,342,863
1930-31	. 21,647,910
1931-32	. 21,502,428

(3) *Imports of foreign (cotton) yarn and piecegoods into the Central Provinces and Berar.*

Year.	Foreign yarn.	Foreign piecegoods.
1929-30	11,124 maunds. 912,168 lbs.	49,129 maunds. 4,028,578 lbs.
1930-31	10,222 maunds. 838,204 lbs.	12,463 maunds. 1,021,966 lbs.
1931-32	10,179 maunds. 834,678 lbs.	13,079 maunds. 1,072,478 lbs.

The production of yarn shown in lbs. decreased slightly in 1930-31 but the quantity of woven goods manufactured in the province in the same year increased. As regards 1931-32, figures are available up to January,

1932, that is for ten months only and from the annual figures (for 12 months) have been worked out. The total weight of yarn and woven goods produced during the last two years would have been still higher if the spinning and weaving were not in finer counts. The quantity of yarn above 40s produced in the Central Provinces and Berar mills increased from 235,626 lbs. in 1929-30 to 360,277 lbs. in 1930-31 and 527,730 lbs. in 1931-32.

STATEMENT D.—*Statement showing imports of cotton twist and yarn from the United Kingdom, Japan and other countries into India.*

—	Quantity.			Value.		
	1929-30.	1930-31.	Eleven months, April to February, 1931-32.	1929-30.	1930-31.	Eleven months, April to February 1931-32.
	Lbs. (1,000).	Lbs. (1,000).	Lbs. (1,000).	Rs. (lakhs).	Rs. (lakhs).	Rs. (lakhs).
From—						
United Kingdom . .	20,112	10,815	10,692	2,96	1,27	1,09
Japan	10,870	6,895	5,616	1,64	84	75
Other countries . .	12,900	11,930	13,268	1.40	97	93
TOTAL .	43,882	29,140	29,576	6,00	3,08	2,77
				Rs. A. P.	Rs. A. P.	Rs.
Declared value per lb. . .	..	..	..	1 5 10	1 0 11	Not available.

STATEMENT E.—*Statement showing imports of cotton piecegoods into India.*

Imports of cotton piecegoods.	QUANTITY. 1929-30.	QUANTITY. 1930-31.	QUANTITY. Eleven months, April to February, 1931-32.	Percentage increase (+) or decrease (—) in 1930-31 as compared with 1929-30.	VALUE. 1929-30.	VALUE. 1930-31.	VALUE. Eleven months, April to February, 1931-32.	Percentage increase (+) or decrease (—) in 1930-31 as compared with 1929-30.
	Yds (millions)	Yds (millions)	Yds. (millions).		Rs (lakhs).	Rs. (lakhs).	Rs. (lakhs).	
Grey.								
From—								
United Kingdom	521	143	53	—73	11,76	2,81	85	—76
Japan	394	218	173	—45	8,91	3,98	2,71	—55
Other countries	11		5	—64	26	8	8	—69
TOTAL	926	365	231	—61	20,93	6,87	3,64	—67
White.								
From—								
United Kingdom	436	230	181	—47	12,03	5,23	3,50	—57
Japan	14	28	55	+100	33	51	87	+55
Other countries	24	14	12	—42	92	47	33	—49
TOTAL	474	272	248	—43	13,28	6,21	4,70	—53
Coloured.								
From—								
United Kingdom	279	148	95	—47	9,50	4,48	2,46	—53
Japan	154	74	86	—52	3,45	1,44	1,49	—58
Other countries	50	24	18	—52	2,20	90	55	—59
TOTAL	483	246	199	—49	15,15	6,82	4,50	—55
Total cotton piecegoods.								
Share of—								
Bengal	857	345	207	—60	20,35	6,86	3,57	—66
Bombay	518	181	158	—65	14,05	4,37	3,06	—69
Sind	292	184	195	—37	7,65	4,06	3,60	—47
Madras	107	76	55	—29	3,39	1,87	1,15	—45
Burma	145	104	86	—28	4,81	2,89	1,82	—40
TOTAL	1,919	890	701	—54	50,25	20,05	13,20	—60

STATEMENT F.

The table given below will illustrate the development in the production of higher counts of yarn in India during the years 1928-29, 1929-30, 1930-31 and the 9 months ended December, 1931 and the reduction in imports thereof during a similar period:—

Year	Production of yarn in India.	Nos. 31s to 40s.	Above 40s.	Total.
		(Million lbs.)		
1928-29	648	37	10	47
1929-30	833	46	15	61
1930-31	867	60	27	87
April to December, 1931	716	52	25	77
	Imports of yarn in India.			
1928-29	43	19	9	28
1929-30	43	20	9	29
1930-31	29	14	4	18
April to December, 1931	23	11	3	14

It will be observed from this that the total quantity of yarn of counts between 31s and 40s and above 40s produced in the Indian mills comes to 47, 61 and 87 million lbs. for the years 1928-29, 1929-30 and 1930-31 and to 103 million lbs. roughly for the year 1931-32 (calculated from the production of 77 million lbs. for the 9 months ended December, 1931). Calculating at the rate of 7 lbs of yarn to 8 lbs. of cloth and 8 yards of cloth to 1 lb. of cloth, woven from high counts, the total production of cloth from counts above 31s would approximate to 795 million yards in 1930-31 and to 941 million yards roughly for 1931-32. It will be seen from these that the production of finer goods manufactured out of Indian yarn only works out to 31 per cent. of the total quantity of manufactured goods in India during 1931-32.

STATEMENT G.—*Statement showing the quantity (in pounds) of yarn of 40s and above produced in the Central Provinces and Berar.*

Count or number.	Twelve months, April to March. 1929-30.	1930-31.	1931-32.*
40	150,975	241,890	260,358
Above 40	235,626	360,277	527,730

Note showing the position of the handloom weaving industry in the Central Provinces and Berar and the effect on the industry of the existing protective duties on cotton piecegoods.

(i) *Extent of the industry number of weavers and of handlooms and approximate estimate of maximum and present production.*—The handloom weaving industry of the Central Provinces and Berar is the only important cottage industry in the province. This industry is providing employment

* Calculated from 10 months' figures available.

for 122,019 adult male members (Statement No. I). There are 97,437 handlooms now working producing cloth of several varieties and descriptions but the more popular kinds are given in Statement No. II.

In 1930-31, the handloom weaving industry of this province used approximately 234,820 maunds of yarn (Statement No. III) and produced approximately 262,998 maunds of cloth representing about 41·7 per cent. of the total quantity of cloth consumed in this province which is 629,188 maunds. A Statement No. III showing the amount of yarn used by the handloom weavers and cloth produced by them during the years 1925-26 to 1930-31 is attached. This statement also gives the percentage of handwoven goods to the total consumption of woven goods in the province for the same period. All the mills in the province in the year 1930-31 spun 550,031 maunds of yarn of which 187,840 maunds were exported from the province (Statements Nos. IV and V) while 235,713 maunds were used by the mills for their own weaving. The balance of 126,478 maunds represents the quantity of local mill yarn used by the handloom weavers. The total quantity of yarn consumed by the handloom weavers in 1930-31 was 234,820 maunds (Statement No. III) of which 126,478 maunds was local mill yarn and the remaining 108,342 maunds, yarn imported from outside the province. The percentage of Indian and non-Indian yarn in the imported quantity cannot be arrived at for want of definite information but from local enquiry it appears that almost the whole of this imported yarn is non-Indian.

The number of handlooms and weavers in the province is given from the statistics collected in February, 1928; but on account of the economic depression some of the weavers are unable to work their looms. It has not been practicable to form any estimate of these. Each loom provides employment for more than 3 persons and the number of persons including children supported by the earnings of one loom is usually five. According to this estimate the total population supported by the handloom weaving industry is 487,185 as against 20,446 operatives employed in all the mills in the Central Provinces and Berar in 1931.

The demand for handwoven cloth is at its best during marriage season and festival. During the season when the demand for cloth is brisk one weaver produces as many as 25 sarees a month of 32s × 16s yarn. This rate of production represents the maximum capacity of a handloom but to be on the safe side 20 pieces of cloth per month may be taken as the average for medium and coarse counts of cloth. On the above basis the maximum quantity of cloth woven by handloom weavers would be 471,662 maunds per annum. This amount of cloth is reported to have represented the average production in 1923. As per Statement No. III, the handloom weavers produced 262,998 maunds of cloth during the year ending the 31st March, 1931 and these are the latest figures of actual production available.

(ii) *Principal classes of cloth woven and the extent to which they compete in the market*.—The principal classes of cloth woven by the handloom weavers of the province are given in Statement No. II. In Statement No. VI the maximum number of pieces that can be woven by handloom weavers is given. Exactly similar varieties from Indian and foreign mills are not competing with these in the market. The Vidarbha Mills, Ellichpur, are producing 9 yards × 45″ half bleached sarees with figured borders weighing 1 lb. 4 ozs. and sold at Rs. 3-4-6. This saree appears to have been woven with 40s × 50s yarn.

The Maharatta Textile Works and the Gajanan Mills, Sangli, and the Venkatesarngathanthu Mills, Ichalkaranji, also produced sarees woven with 60s × 50s yarn weighing respectively 1 lb. 4 ozs. and sold at Rs. 5-4 and Rs. 6 per saree respectively. A saree woven with 52s warp and weft by the handloom weavers of Nagpur and weighing exactly 1 lb. 8½ ozs. is sold for Rs. 6. But this saree is a coloured one while the mill woven sarees are sold in half bleached condition and woven with coloured weft. A saree woven with 32s warp and weft by the momins of Nagpur weighing 1 lb. 15 ozs. is sold for Rs. 4-8. A third saree woven with 26s warp and 16s

weft by the momins weighing 2 lbs. 2¼ ozs. is sold for Rs. 2-8 in the local market. The above quoted examples of sarees woven by handloom weavers and mills are not identically similar but no other kinds of sarees or other goods with greater similarity exist in the market.

In a note submitted by the then Director of Industries with his letter No. 4114-D, dated the 2nd September, 1926, to the local Government, on the working of cotton mills in the Central Provinces and Berar the cost of production and average selling price of 1 lb. of grey yarn and cloth was given as noted below based on reports furnished by the mills concerned:—

	Average cost of production.	Average selling price.
	Rs. A. P.	Rs. A. P.
1 lb. grey yarn.		
(1) Model Mills, Limited, for the year ending the 31st March, 1925	1 0 11·36	1 3 0
(2) Berar Manufacturing Company, Limited, for the year ending the 31st March, 1925	0 14 10·4	0 14 10·10
1 lb. grey cloth.		
(1) Model Mills, Limited, for the year ending the 31st March, 1925	1 5 9·20	1 8 6
(2) Berar Manufacturing Company, Limited, for the year ending the 31st March, 1925	1 1 4·50	1 3 7·18

The difference between the average selling price of a lb. of yarn of Model Mills and that of a lb. of cloth was As. 5-6. The difference between the average cost of production of a lb. of yarn and the average selling price of a lb. of cloth represents the cost of production and profits the mill makes on a lb. of cloth, *viz.*:—

	Rs. A. P.
Average cost of production of 1 lb. of yarn of Model Mills for the year ending the 31st March, 1925, was	1 0 11·36
Average selling price of 1 lb. of cloth for the same	1 8 6
Difference representing profits and cost of production of a lb. of cloth in the said mill was	0 7 6·64

The handloom weaver is able to produce nearly 1 lb. 12 ozs. to 2 lbs. of cloth per day in counts from 16s upward and 2 lbs. to 2½ lbs. for counts below 16s.

As above given the difference between the average selling price of a lb. of yarn and that of 1 lb. of cloth in a mill is seen to be As. 5-6. At that rate per lb. the handloom weaver can earn between As. 9-7½ per 1 lb. 12 ozs. of cloth per day to As. 13-9 per day for 2½ lbs. of cloth.

The total manufacturing cost of a lb. of grey cloth in the Model Mills, Limited, in 1925 as per statements furnished by the mill in 1926 is 77·33 pies or As. 6-5·33 per lb. of cloth. Therefore at the cost at which the mill is able to produce a lb. of cloth the handloom weaver will earn As. 11-3 per day for 1¾ lbs. of cloth and correspondingly more for coarser varieties. In respect of competition between handloom products and similar kinds woven by mills there is not one variety which is identically similar in every respect, and it is not commercially possible for the mills to produce some of the more artistic varieties woven by handloom weavers. The handloom weaver produces such varieties each of which has its own peculiar characteristics to

satisfy the needs of local people. The handloom weaver has been living on an average income ranging between As. 8 to As. 13 per loom per day for the last three years and is sure to get that, assuming that the production of Indian mills and imports into India are more than or equal to the quantity of total cloth consumed in the province. Most of the sarees woven by handloom weavers are solid bordered sarees and have figured borders with or without checked ground.

(iii) *Approximate cost of manufacture of typical classes of cloth.*—Statement No. VII giving the figures is enclosed. The handloom weaver's cost of manufacture is only the cost of yarn he purchases in the market. The equipment is a loom, a winder, 4 or 5 reeds and healds and 2 shuttles, the cost of which is approximately as follows:—

	Rs.
The cost of a loom	10
The cost of 5 reeds and healds	10
The cost of 2 shuttles	2
The cost of 1 winder	4
Miscellaneous articles, such as sizing brushes, a few lease rods, loom temples, rope, bamboo sticks, etc.	3
TOTAL	29

For a total cost of Rs. 30 a handloom weaver gets a complete pit loom equipment and he uses most of the articles for nearly ten years and more excepting shuttles, reeds, healds and sizing brushes. Reeds are periodically repaired. Shuttles are replaced by new ones in three years Sizing brushes are replaced in 5 years and in some cases more. A typical saree containing 32s warp and 16s weft woven by handloom weavers weighs 1 lb. 12 ozs. This weight is represented by—

1 lb. 2 ozs of 16s yarn.
0 lb. 10 ozs of 32s yarn.

1 lb 12 ozs

The cost of 32s yarn per bundle of 10 lbs. at Nagpur on the 24th May, 1932, was Rs. 6-8 while that of 16s yarn was Rs. 4-4 (Statement No. X).

	Rs.	A.	P.
The cost of 10 ozs of 32s warp	0	7	9
The cost of 1 lb. 2 ozs of 16s weft	0	7	8
The cost of dyeing charges at Rs. 5 a bundle of 10 lbs. (this is approximately taken to represent average dyeing charges as this varies with depth of shade, kind of dyes used, relative fastness, etc.) for a fast shade	0	14	0
Miscellaneous charges	0	1	7
TOTAL	1	15	0

A saree of the above description is sold for Rs. 2-12 to Rs. 3 in the market. The weaver gets As. 13 to Re. 1-1 per saree. He can weave and sell one saree a day if there is good demand.

(iv) *Prices realised for principal classes of cloth in 1929, 1930 and 1931 and current prices, prices of comparable classes of mill made and imported cloth at each period.*—Statement No. VIII is attached. So far as the mill made and imported cloth are concerned there is not a single variety exactly corresponding to hand woven cloth. The nearest principal varieties of mill made

and imported cloth are the two given in the statement. These are the most popular varieties in the province.

(v) *Kinds of yarn used Indian or foreign mill made or hand spun; counts of yarn; approximate proportion in which each is used; prices of different kinds of yarn.*—Statements Nos. IX, X and XI are enclosed furnishing details of information asked for.

There has been a gradual decrease in the imports of foreign yarn into this province from 1925-26 to 1930-31 as will be seen from Statement No. V. From Statement No. X, it will be seen that the prices of Japanese yarn have been slightly more than those charged for Indian yarns. The prices for lower counts of yarn are not available as lower counts of foreign yarn are not imported by local merchants. The quality of Japanese yarn is found to be very good as far as its strength, length and uniformity are concerned. English yarn was much superior in these respects till 1930. But English yarn imported recently into India is reported to be very poor in quality and is not sold. The handloom weaver is purchasing mostly Japanese yarn paying higher rate for it as it gives him better work.

For counts below 20s the handloom weaver uses Indian mill spun yarn. As Indian yarn of lower counts is cheaper and as corresponding counts of non-Indian material is not available the handloom weaver is using Indian yarn though its quality is reported to be poor. The difference in prices of Indian and Japanese yarn is very little. The handloom weaver uses less foreign yarn, *i.e.*, yarn above 40s counts as the prices are very high and the comparatively costly cloth made of such yarn does not find a ready sale. Indian mills have been able to realise higher rates for their yarn as Japanese and other foreign yarn is sold at much higher rates due to heavy import duties.

(vi) *Approximate estimate of the quantity of hand spun yarn produced in the province.*—The quantity of hand spun yarn produced in the province is 4,700 lbs. or 57·31 maunds per month as given below:—

Chanda	3,500 lbs.
Bhandara	1,200 lbs.
TOTAL .	4,700 lbs.

The figures are received from the Charka Sangh, Wardha. Therefore assuming the above quantity to represent the average amount of yarn spun per month the quantity for the year is 688 maunds. The other districts in the province spin very little yarn; at any rate the figures of hand spun yarn for those districts could not be obtained.

(vii) *Extent to which protective duties on (a) yarn and (b) piecegoods will affect the handloom industry.*—The handloom weavers use Indian mill spun yarn and in addition to that imported yarn also. The protective tariff duties on yarn have enhanced the prices of imported yarn and also those of Indian mill spun yarn for such non-competitive counts as 10s, 12s and 16s. The quantity of cloth produced on handlooms has gradually become less as the prices of handloom woven cloth have correspondingly risen leaving the weaver much less margin of profit. Handloom woven cloth has certainly to compete with nearly similar varieties woven by mills as otherwise to demand yarn is sold as cheap as possible, Indian mill yarn would have been correspondingly cheaper and equally good in quality. But the tariff duties have for that material will be less. If there is open competition and the imported yarn is sold as cheap as possible, Indian mill yarn would have been correspondingly cheaper and equally good in quality. But the tariff duties have raised the prices of Indian as well as non-Indian yarn. **The handloom weavers are not now able to use as much fine yarn above 40s as they had been using before 1925 not because fashion has changed and the demand for hand woven cloth has decreased but because the prices of higher counts have increased while the prices of cloth and the purchasing power of the consumers have fallen considerably.**

The profit earned by the weaver on the most popular variety of cloth woven by him during the last seven years is shown below:—

	Cost of 10 lbs. 32s yarn.		Cost of saree weighing 1 lb. 15 ozs.		Cost of manu-facture.			Profit.		
	Rs.	A.	Rs.	A.	Rs.	A.	P.	Rs.	A.	P.
1926	12	2	4	12	3	7	1	1	4	11
1927	10	2	4	4	3	0	1	1	3	11
1928	10	2	4	8	3	0	1	1	7	11
1929	11	6	4	12	3	4	1	1	7	11
1930	9	15	5	0	3	0	1	1	15	11
1931	7	8	4	12	2	8	1	2	3	11
1932	6	6	3	12	2	5	1	1	6	11

It is thus seen that the amount of profit earned by the weaver on the above mentioned kind of sarees is progressively less and the quantity of the material turned out by him is also correspondingly less as per Statement No. III. The quantity of hand spun yarn produced in the province and woven into cloth by handloom weavers is not included in Statement No. III which is based on official figures alone. The handloom weaving industry is unrepresented and its conditions and difficulties are not as well known as those of Indian mill industry. The handloom weaver has held his own so long against other producers of cloth, Indian or foreign. Taxation of his raw material, however, handicaps him more and more.

(viii) *The effect on the handloom weaving industry of the existing import duties on artificial silk yarn and piecegoods.*—As regards the effect on the handloom weaving industry of the existing import duties on artificial silk yarn and piecegoods, it may be stated that the handloom weavers in the province do not manufacture any cloth with artificial silk yarn and therefore the effect of any import duties on such yarn and piecegoods on the industry will be practically *nil*.

STATEMENT No. I.—*Statement showing extent of the handloom weaving industry in the Central Provinces and Berar.*

Serial No.	Names of districts.	No. of looms.	No. of weavers.
1.	Nagpur	35,300	50,000
2.	Wardha	500	2,221
3.	Chhindwara	2,000	2,073
4.	Betul	300	837
5.	Chanda	10,200	8,301
6.	Raipur	6,000	9,127
7.	Bilaspur	3,000	4,248
8.	Drug	6,000	2,892
9.	Bhandara	11,000	10,804
10.	Balaghat	937	3,176
11.	Jubbulpore	4,000	4,228
12.	Saugor	1,000	2,268
13.	Mandla	500	1,000
14.	Hoshangabad	1,200	1,522
15.	Nimar	6,500	8,254
16.	Amraoti	4,300	4,800
17.	Akola	1,095	1,544
18.	Buldana	1,005	1,224
19.	Yeotmal	2,600	3,500
	TOTAL .	97,437	122,019

Statement No. II.—*Kinds of cloth woven in the Central Provinces.*

Serial No.	District.	Kinds of cloth.
1.	Nagpur . .	Silk bordered sarees, silk bordered dhoties, ordinary sarees and coarse dhoties.
2.	Wardha . .	Silk bordered sarees, ordinary sarees and coarse dhoties.
3.	Chhindwara .	Ordinary sarees and coarse dhoties.
4.	Betul . .	Ordinary sarees and coarse dhoties.
5.	Chanda . .	Silk bordered sarees, silk bordered dhoties, ordinary sarees and coarse dhoties.
6.	Raipur . .	White sarees and coarse dhoties.
7.	Bilaspur . .	White sarees and coarse dhoties.
8.	Drug . .	White sarees and coarse dhoties.
9.	Bhandara .	Silk bordered sarees, silk bordered dhoties, ordinary sarees and coarse dhoties.
10.	Balaghat .	Silk bordered sarees, ordinary sarees and coarse dhoties.
11.	Jubbulpore .	Ordinary sarees and coarse dhoties.
12.	Mandla . .	Ordinary sarees and coarse dhoties.
13.	Saugor . .	Lenghas and coarse dhoties.
14.	Hoshangabad .	Lenghas and coarse dhoties.
15.	Nimar . .	Silk bordered sarees, ordinary sarees and coarse dhoties.
16.	Amraoti . .	Silk bordered sarees, ordinary sarees and coarse dhoties.
17.	Akola . .	Ordinary sarees and coarse dhoties.
18.	Buldana . .	Ordinary sarees and coarse dhoties.
19.	Yeotmal . .	Ordinary sarees and coarse dhoties.

Statement No. III.—*Statement showing the amount of yarn consumed by the handloom weavers and the quantity of goods manufactured by them during the last six years as compared with mill made and imported cloth.*

Year.	Yarn consumed by handloom weavers.	Cloth produced on handlooms assuming that 100 lbs. of yarn is equal to 112 lbs. of cloth.	Imports of woven goods into the province.	Cloth produced in the mills of the province.	Total consumption of mill made, imported and cloth produced on handlooms in the province (Total of columns 3, 4 and 5 *minus* cloth exported from the province).	Proportion of hand-woven goods produced to the total consumption of woven goods in the province (proportion of columns 3 to 6).
1	2	3	4	5	6	7
	Mds.	Mds.	Mds.	Mds.	Mds.	Percentage.
1925-26 . .	296,026	331,549	351,255	237,369	796,506	41·6
1926-27 . .	247,175	276,836	374,567	232,410	754,418	36·7
1927-28 . .	263,901	295,569	446,201	234,348	812,691	36·3
1928-29 . .	186,144	208,481	389,349	247,135	602,414	34·6
1929-30 . .	233,354	251,916	420,504	260,279	763,170	34·3
1930-31 . .	234,820	262,998	354,532	263,999	629,138	41·7

The figures in column 2 are arrived at as follows:—Quantity of yarn produced in mills *plus* quantity of yarn imported in the province *minus* quantity of yarn exported from the province consumed by the mills. The balance is used by the handloom weavers.

STATEMENT No. IV.—*Quantity of yarn spun by mills in the Central Provinces and Berar.*

	Mds.
1925-26	493,027
1926-27	474,335
1927-28	522,084
1928-29	537,281*
1929-30	550,128
1930-31	550,032

Statement No. V.—*Statement showing Indian and foreign imports and exports of yarn and piecegoods to and from the Central Provinces and Berar during the years 1925-26 to 1930-31.*

Year.	Imports into the Central Provinces and Berar.						Exports from the Central Provinces and Berar						Remarks.
	Twist and yarn (cotton).			Piecegoods (cotton).			Twist and yarn (cotton).			Piecegoods (cotton).			
	Foreign.	Indian.	Total.	Foreign.	Indian.	Total.	Foreign.	Indian.	Total.	Foreign.	Indian.	Total.	
	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	
1925-26 .	12,289	121,552	133,841	23,015	328,240	351,255	482	118,423	118,905	223	123,444	123,667	Figures for the year 1931-32 are not yet available.
1926-27 .	12,325	115,907	128,232	28,102	346,485	374,587	473	147,410	147,883	377	129,043	129,420	
1927-28 .	14,869	110,732	125,601	43,106	403,095	446,201	600	174,545	175,145	558	162,869	163,427	
1928-29 .	11,905	68,064	79,969	47,221	342,128	389,349	17	210,433	210,450	541	242,010	242,551	
1929-30 .	11,124	91,875	102,999	49,129	371,465	420,594	2,984	183,897	186,881	4,226	175,393	179,619	
1930-31 .	10,222	98,124	108,346	12,463	252,119	264,582	4	187,840	187,844	1	162,390	162,391	

Statement No. VI.—*Statement showing the weight of common varieties of cloth woven by the handloom weavers in the Central Provinces and Berar.*

Serial No.	Particulars of cloth.	Number of pieces woven.	Weight of each piece. lbs.	Total weight in lbs.
1.	Silk bordered sarees .	2,48,600	2	497,200
2.	Silk bordered dhoties	12,000	1½	18,000
3.	Ordinary sarees .	1,16,40,000	2	23,280,000
4.	Coarse dhoties . .	71,20,560	2½	17,801,400
5.	White sarees . .	26,40,000	2	5,280,000
6.	Lehangas . . .	3,84,000	1½	576,000
7.	Soosies . . .	2,40,000	2	480,000
				47,932,600 or 584,544 mds.

Statement No. VII.—*Statement showing approximate cost of manufacture of typical classes of cloth—cost of yarn.*

Districts.	Silk bordered sarees 32s 40s warp 16 weft 9 yards by 45 inches.	Silk bordered dhoties 40s warp and weft 10 yards.	Ordinary sarees 26s × 16s 9 yards by 45 inches.	Coarse dhoties 16s × 12s 4 yards by 45 inches.	White sarees Chhattisgarh pattern 20s × 16s 7 yards by 45 inches.	Laugas 7 yards by 36 inches.	Sushi 7 yards by 45 inches.
	Rs.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.
Nagpur . .	3	3 8	1 14	1 4	..	..	..
Chanda . .	3	3 8	1 14	1 4	..	..	..
Wardha . .	3	..	1 14	1 4	..	..	..
Bhandara . .	3	3 8	1 14	1 4	..	..	..
Balaghat . .	3	..	1 14	1 4	..	..	..
Amraoti . .	3	..	1 14	1 4	..	..	1
Chhindwara . .	..	..	1 14	1 4	..	..	..
Betul . .	..	..	1 14	1 4	..	..	..
Raipur . .	..	..	..	1 4	1 2	..	..
Bilaspur . .	..	..	..	1 4	1 2	..	..
Drug . .	..	..	..	1 4	1 2	..	..
Akola . .	..	..	1 14	1 4	..	..	..
Buldana . .	..	..	1 14	1 4	..	..	..
Yeotmal . .	..	..	1 14	1 4	..	..	..
Jubbulpore . .	..	..	1 14	1 4	..	..	..
Mandla . .	..	..	1 14	1 4	..	..	..
Hoshangabad .	..	..	..	1 4	..	1 4	..
Nimar . .	..	..	1 14	1 4	..	..	..
Saugor . .	..	..	..	1 4	..	1 4	..

STATEMENT No. VIII.—*Comparative statement of prices of handloom woven cloth for the last 7 years.*

Year.	20s warp and 16s weft sarees.	32s and 16s sarees.	40s and 20s sarees or 32s warp and weft.	50s sarees.	40s and 16s silk bordered sarees.	10 yards dhoties 16s and 12s.	7 yards lengas 16s and 12s.	Silk bordered dhoties 40s 11 yards.	20s and 16s white sarees.	20s and 16s sushi.
	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.
1926	4 0	4 8	4 12	..	9 8	3 0	2 8	15 0	3 8	3 0
1927	3 8	4 0	4 4	..	8 8	2 8	2 4	14 0	3 0	3 0
1928	3 0	4 4	4 8	..	7 8	2 12	2 4	12 4	2 8	3 8
1929	3 8	4 8	4 12	..	7 8	2 4	2 4	10 4	2 4	3 0
1930	4 0	5 0	5 0	..	6 8	2 8	2 6	9 8	2 4	2 8
1931	3 4	4 4	4 12	..	5 0	2 4	2 6	8 8	2 0	2 4
1932	2 8	4 4	3 12	6 0	4 0	2 0	1 14	7 0	1 14	2 0

Comparative statement showing prices of two kinds of mill made and imported cloth since 1929.

Year.	Empress Mills cloth.		Imported cloth English.		Remarks.
	Twill No. 1438 32" wide × 40 yards 20s yarn.	Dhoty No. 306 10 yards × 40" per pair.	Checked shirting 32" wide per yard.	Twill mercerised finish 32" wide per yard.	
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
1929	12 4 0	2 9 6	1 2 0	0 12 0	
1930	12 3 0	2 5 6	1 2 0	0 11 0	
1931	10 12 0	2 3 6	0 14 0	0 10 0	
1932	10 12 0	2 3 6	0 12 0	0 8 0	

Empress mills twill 5 years back same kind was sold for Rs. 14 per piece of 40 yards; imported cloth prices are taken from a shop in sadar bazar called the blue shop ; Prices of the Empress mills cloth are taken from the store behind the railway station.

STATEMENT No. IX.—*Statement showing kinds of cloth woven, counts of yarn, etc.*

Serial No.	Kind of cloth.	Counts used										Total.
		10s.	12s.	16s.	20s.	32s.	40s.	50s.	60s.	80s.	120s.	
		Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.
1	Coarse dhoties	47,797	..	31,864	..	..	..	..	..	..	..	79,661
2	Ditto	23,300	21,437	..	..	..	..	..	..	..	..	44,737
3	Ordinary sarees . . .	..	..	88,433	82,006	..	..	..	..	..	..	170,439
4	Ditto . . .	..	..	36,548	..	20,305	..	..	..	..	..	56,853
5	White sarees Chattisgarh pattern .	..	..	40,244	21,146	..	..	..	..	..	..	6[illegible],390
6	Soosies	..	..	3,659	2,195	..	..	..	..	..	..	5,854
7	Langas	..	7,024	4,683	..	..	..	..	..	..	..	11,707
8	Silk bordered sarees . . .	..	..	26,506	..	..	10,372	..	..	..	..	36,878
9	Fine counts sarees . . .	..	..	..	..	..	..	686	412	..	..	1,098
10	Finer counts sarees . . .	..	..	..	..	..	..	..	..	27	17	44
	TOTAL .	71,097	28,461	231,937	108,347	20,305	10,372	686	412	27	17	471,662
	Percentage to the total . .	[illegible]·1	6·0	49·2	23·0	4·3	2·2	*	*	*	*	..

* Less than 1 per cent.

STATEMENT No. X.—*Comparative statement of prices of yarn used by handloom weavers per bundle of 10 lbs.*

Year.	Japanese.		Madura.		Empress Mills.		Model Mills.		English yarns.		
	32s.	40s.	32s.	40s.	32s.	40s.	32s.	40s.	32s.	40s.	50s.
	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.
1926 . . .	12 2	13 4	9 14	10 14	..	..	..	..	..	..	..
1927 . . .	10 2	10 12	9 6	10 6	..	..	..	..	..	11 12	19 12
1928 . . .	10 2	13 2	..	..	11 2	14 6	..	..	..	14 4	22 8
1929 . . .	11 6	11 12	..	..	10 12	13 10	..	..	..	12 0	21 0
1930 . . .	9 15	10 12	7 4	8 4	..	..	..	..	..	12 1	..
1931 . . .	7 8	8 0	6 10	7 10	..	..	..	..	..	..	..
1932 . . .	6 6	7 6	6 8	7 8	..	..	..	..	..	8 0	12 0

(b)* *Present prices of yarn per bundle of 10 lbs. prevailing on the 24th May, 1932.*

	Indian.		English.	
	Rs.	A.	Rs.	A.
60s	11	12	12	0
50	10	0	11	0
40	7	0	7	4
32	6	8	6	10
24	5	4	...	
20	4	12	...	
20	5	0	...	
18	4	8	...	
16	4	4	...	
14	4	2	...	
12	3	15	...	
10	3	12	...	
8	3	8	...	
6	4	4	...	

STATEMENT No. XI.—*Statement showing the quantity of Indian and foreign yarn consumed by handloom weavers in the Central Provinces and Berar.*

Year.	Indian yarn.	Foreign yarn.	Total yarn consumed by handlooms.
	Mds.	Mds.	Mds.
1928-29	174,256	11,888	186,144
1929-30	225,714	8,140	233,854
1930-31	224,602	10,218	234,820

Government of the Punjab.

Letter No. 3250-S. F./Genl., dated the 16th July, 1932.

I am directed to refer to your letter No. 170, dated the 22nd April, 1932, with which you forwarded a copy of a Press Communiqué issued by the Tariff Board dated the 11th April, 1932, and asked for the views of the Punjab Government on certain points arising out of the proposed enquiry into the question of granting protection to the cotton textile industry with special reference to the effect of protection on the handloom industry in this province. In your letter No. 194, dated the 9th May, 1932, you introduced the additional question of the effect of the existing import duties on artificial silk yarn and piecegoods on the handloom industry.

2. To the questions put in para. 2 of the Press Communiqué the Governor in Council is not in a position to give any answer except to question 3 (*a*).

	Mds.
* Net imports of foreign yarn	11,888
Yarn consumed by handloom weavers	186,144
Less net imports of foreign yarn	11,888
Indian yarn used by handloom weavers	174,256

We have assumed that the mills on the whole do not use foreign yarn but use their own yarn.

It does not appear that British piecegoods compete anywhere with the products of the Punjab handlooms nor that British yarn is used to any appreciable extent. It is not, therefore, necessary to protect the handloom industry against the products of Great Britain and the British Empire and, subject to the remarks in para. 5 below, he would be prepared to give substantial preference to these products as against those of other foreign countries.

3. As far as this province is concerned, the handloom industry is the only textile industry which is concerned in this enquiry. I am to enclose copies of letter No. 19/S., dated the 10th June, 1932, from the Director of Industries, Punjab, and of letter No. 1304/S., dated the 18th June, 1932, from the Registrar, Co-operative Societies, with an extract from the report by the Industrial Assistant Registrar referred to therein. This report deals with the problem from the point of view of the co-operative weavers societies which accounts for discrepancies between the figures and those given by Director of Industries. In these documents will be found the information required to answer questions (i) to (vi) in para. 2 of your letter under reply. Both Director of Industries and Registrar, Co-operative Societies report a large decline in the handloom industry both in number of workers and in the number of looms. This is attributed to the competition of mill made and imported cloth. While in inferior lines such as khaddar, dasuties, lungies, dutties, etc., the products of handlooms have to face little competition, as soon as we come to finer fabrics, whether of cotton or artificial silk, competition becomes severe. Handspun cotton fabrics still struggle on, but the artificial silk handspun product has been seriously affected, and it is doubtful if it can be revived. The old established natural silk industry seems to be threatened with extinction except where locally produced silk may be available. It would seem that the hand weaving industry is as much endangered by the competition of Indian mills as by that of imported articles, and therefore increased tariff unaccompanied by a corresponding internal excise would not assist the handloom industry.

4. The long and steady improvement in the economic condition of the people over a series of years has developed a preference for fine cloths over the old type of coarser handspun fabrics, and the recent depression does not seem to have reversed this change to any appreciable extent. In nearly all villages machine made cloth is freely bought. Whether anything effective can be done to save the handloom industry must be a matter of some doubt. This Government is doing what it can to assist the weavers through the agency of the co-operative and industrial departments, but the educated public shows, in general, marked apathy in this connection. Apart from the co-operative societies the industry is quite unorganised and the workers make no attempt to market their products away from their immediate neighbourhood. It may be that a comparatively heavy duty on all kinds of piecegoods, whether of cotton or artificial silk, might bolster up the handloom industry, but the competition of the mill made product would still probably prove fatal unless there were a corresponding excise on mill products. The Governor in Council is aware that such a proposal will raise a storm of protest from influential quarters, and especially from the shareholders in the Bombay and Ahmedabad mills, but outside Bombay there is probably little sympathy with these shareholders, and the Governor in Council is disposed to think that the protection of the handloom industry from decay and ultimate extinction is a matter of greater importance than the dividends paid to shareholders. The evidence available suggests that the handloom industry could be assisted by the free import of cotton yarn. The artificial silk weaving industry could be assisted by admitting artificial silk yarn free. It is doubtful if the natural silk weaving industry could be saved except by a duty so heavy as to invite protest.

5. The Governor in Council wishes to take this opportunity to bring before the Tariff Board the case of this and other agricultural provinces against the imposition of tariffs in favour of isolated industries. In this particular case the question before the Board is practically confined to the interests

of a few thousand shareholders, who clamour that the whole of India should be burdened for their benefit. The economic development of India in the last 50 years has been largely associated with the provision of improved facilities for trade and commerce, both within and without the country. The linking up of India's fields with the markets of the world has provided the producer with an outlet for his surplus produce when harvests are good and has enabled his requirements to be brought to his door cheaply when harvests have failed. He has been saved from the complete collapse of prices which formerly followed a glut and from the calamitous rise in prices in days of scarcity, and the Governor in Council considers that it is essential for the continued prosperity of this and other agricultural provinces that as few obstacles as possible should be imposed in the way of trade and commerce. The colony tracts of the Punjab are larger exporters of produce, such as wheat and cotton, and it is essential for their continued prosperity that their export to market should not suffer from the general decline in trade which a protective policy is designed to bring about. In conclusion the Governor in Council observes that to protect the agriculturists of India, who form 95 per cent. of the population, by the imposition of a low duty against foreign grain is a very different matter to raising the price of necessary clothing all over the country by imposing a high tariff for the benefit of a particular industry.

Enclosure No. 1.

Copy of a letter No. 19/S., dated the 10th June, 1932, from the Director of Industries, Punjab, to the Secretary to Government, Finance Department, Simla.

With reference to the correspondence ending with Punjab Government endorsement No. 22457-F./Genl., dated the 27th May, 1932, I have the honour to state as under on the points detailed in para. 2 of the Secretary, Tariff Board's letter No. 170, dated the 22nd April, 1932.

(i) *Extent of handloom weaving industry. (a) Number of weavers and handlooms.*—It is not possible to give the exact number of weavers and of handlooms in the Punjab. According to the Census of 1921 the number of male weavers who were actually carrying on the handloom industry was 248,872. The survey carried out by the Department of Industries in the year 1926 showed that the total number of handloom workers had fallen to 192,324. In consequence of the trade depression which set in the year 1928, coupled with the increasing competition of India and foreign mill made cloth, especially cloth of Japanese origin, the number of handloom workers has declined further, and it is estimated that the number of persons at present engaged in handloom weaving would be about 150,000.

The total number of looms at the Census of 1921 was 268,169 with ordinary shuttles (primitive looms) and 2,388 with fly shuttles. The survey of 1926 referred to above showed that the numbers of the various kinds of looms in the Punjab were as follows:—

Primitive looms	172,894
Fly shuttle looms	2,948
Others	28
Total	175,870

It is estimated that the number of looms at present would be 140,000 of which about 4,000 are fly-shuttle looms.

(b) *Approximate estimate of maximum and present production.*—The value of the various kinds of goods produced was estimated during the survey of 1926, which may be taken as the year of maximum production in recent years The figures of 1926 and the present figures are given below:—

	Rs.
1926	1,79,75,390
Present	1,30,00,000

(ii) *Principal classes of cloth woven and the extent to which they compete with mill products and with imported piecegoods—*

Classes of cloth produced.	Remarks.
Khaddar, garah, ghati or chossi, chadars, dhoties, kheses, majnu kheses or double cloth cotton comblies and chaddars.	About 50 per cent. of these varieties of cloth is made out of hand spun yarn in villages and is not affected by the Indian or foreign mill made cloth to a very appreciable extent. The remaining 50 per cent. made out of mill yarn comes into direct competition with the Indian mill made and imported cloth especially from Japan. The extent to which the handloom production is affected by the Indian mill competition is estimated at 20 per cent. and the rest is affected by the foreign competition.
Bed and floor durries	The handloom weaver has not much competition in the manufacture of durries either with Indian mills or with imported goods, because durries of good quality are neither imported nor manufactured to any larger extent by Indian mills.
Mercerised cotton coatings, and shirtings, susis, salaries, muslins, tehband, lungies and lachas, towels, dusters, tehsils, golras and chahars, sofis and mashrus, dhoties, sahrees and dopatas, lungies, turbans and pagris and peches.	These varieties of goods are chiefly manufactured out of mill spun yarn and therefore enter into direct competition with Indian mill made and imported cloth. The extent of the competition is estimated at about 40 to 50 per cent. with Indian mill made as well as imported cloth. Long cloth, muslin dhoties, printed chhints and gumties of Japanese origin have practically captured the Indian market. These goods sell so cheap that neither Indian mill products nor the handloom manufacture can stand against them in the market.
Artificial silk, daryai of various types and other fabrics made partly or wholly from artificial silk.	The handloom weaver has practically lost his trade in these fabrics in consequence of the formidable competition from Japan, particularly in tafitas of various kinds and printed chhints which are sold at present at As. 5 per yard. It is understood that the agents dealing in Japanese goods have booked advance orders (May and June shipment) at As. 4-2 per yard. The extent of competition in these classes of goods goes up to 80 per cent.

(iii) *Approximate cost of manufacture of typical classes of cloth.*—The approximate cost is as under:—

1. Cotton khadar, 27″ .	As. 2-6 to As. 5 per yard according to quality.
2. Khes, 27″	As. 3 to As. 13 per yard according to quality and design.
3. Tehband lungies and lachas, 24″ and 48″ .	As. 6 to Rs. 2-10 per yard according to quality.
4. Susis and salaries 27″ .	As. 3 to As. 8 per yard according to quality and width.
5. Artificial silk daryai, 22″ × 27″ . . .	As. 4-9 and As. 6-6 respectively.

(iv) *Prices realised for principal classes of cloth.*—It has not been possible to ascertain the prices prevailing in 1929 and 1930. The prices of 1931 and the current prices are, however, given below:—

Class of cloth.	1931.			1932.			
(a) Handloom manufacture.	Rs.	A.	P.	Rs.	A.	P.	
1. Garah	0	3	0	0	2	9	
2. Kheses	0	8	0	0	7	0	a yard
3. Tehband lungies . . .	0	8	0	0	7	0	
4. Susis and salaries . . .	0	4	0	0	3	0	
5. Artificial silk daryai, 22″ .	0	6	0	0	5	0	
(b) Indian mill made.							
1. Garah	0	3	6	0	3	3	
2. Kheses and sujnees . . .	2	4	0	1	12	0	each.
3. Dhoties	2	12	0	2	8	0	a pair.
4. Gumtis, etc.	0	10	0	0	8	6	
5. Tafitas and Tufans . .	Out of market.						
(c) Imported cloth.							
1. Japanese khadar and other grey cloth	0	3	3	0	3	0	
2. Sujnees	5	0	0	4	0	0	each.
3. Dhoties, 555	2	11	0	2	7	0	a pair.
4. Gumtis and chhints . . .	0	4	0	0	3	0	
5. Tafitas	0	6	0	0	5	0	

(v) *Kinds of yarn used.*—Both mill made and hand spun yarn is used by the handloom weaver. Chief counts consumed are Foreign 40s, 2/42s, 2/42s mercerised, 2/64 mercerised and 2/84 mercerised, chiefly of Japanese origin. Indian mill spun 6s to 30s, 2/10s, 2/20s and 2/30.

Approximate proportion in which each kind of yarn is used is given below:—

Foreign 10 to 15 per cent.

Indian mill spun 35 to 40 per cent.

Hand spun 50 per cent.

The current prices of different varieties of yarn used are shown below:—

Indian. Counts.	Prices. Rs. A.	Foreign. Counts.	Prices. Rs. A.
		(Per bundle of 10 lbs.)	
10½s	3 1		
12½s	3 5		
13½s	3 7	40s	7 14
16½s	3 12	2/42s	8 8
20½s	4 4	(Per bundle of 5 lbs.)	
		2/24 mercerised	5 8
		2/64 ,,	7 0
		2/84 ,,	11 4

The price of artificial silk yarn ranges between Rs. 11 to Rs. 13 per bundle of 11 lbs., according to quality. Artificial silk yarn from Japan is the cheapest and has practically captured the Indian market.

(vi) *Estimate of quantity of hand spun yarn.*—According to the survey of 1926 referred to above the quantity of hand spun yarn produced in the province was estimated at 379,020 maunds valued at Rs. 1,51,88,900. The present production is estimated to be not less than 200,000 maunds of the value of Rs. 80,00,000.

(vii) *Protective duty.*—Although the imposition of a protective duty on the import of yarn may not directly affect the hand spun yarn yet the import of cheap yarn of better quality will discourage, to some extent, hand spinning. Accordingly the hand spinner will gain to a small extent and the Indian mill to a greater extent by the imposition of a protective duty on imported yarn, and it can be hoped that but for the competition with the cheap imported yarn, particularly from Japan, India can produce its own requirements.

So far as piecegoods are concerned, the imposition of a higher protective duty may raise the prices a little, but it will certainly result in increased production from Indian mills and at the same time help the handloom weaver whom Japan has practically driven out of the market in the production of fancy designs in artificial silk, etc.

Letter No. 194, dated the 9th May, 1932, from the Secretary, Tariff Board.

The existing duty on artificial silk yarn and piecegoods has not proved adequate. As stated above Japan has started booking orders (May and June shipments) at As. 4-2 a yard which means that the handloom worker must give up all work in artificial silk—it is impossible for him to compete.

Turning to the questions detailed in para. 3 of the Government of India resolution No. 341-T. (150) of the 9th April, 1932.

The statistics of imports and of production in India show that since the imposition of the duty imports in—

Cotton grey unbleached,

Cotton white bleached,

Coloured, printed or dyed textiles, and cotton twist and yarn

have fallen and that there has been increased production by the Indian mills. "The production of yarn in mills in India in 1930-31 exceeded the record figure for the previous year by 33 million lbs., having amounted to 867 million lbs. as compared with 834 million lbs. in 1929-30 and 648 million lbs. in 1928-29."* In 1913-14 (pre-war) 1,164·3 million yards of cotton cloth was produced while in 1931-32 2,561·1 million yards were produced.

* Review of Trade of India, 1930-31.

Imports of piecegoods made entirely of artificial silk, however, showed a big increase. The previous figures are not available, but in 1930-31, 23,079,713 yards were imported while in 1931-32, 74,423,378 yards were imported. Japan's share in 1930-31 was 22,558,785 yards and in 1931-32, 74,473,378 yards. There was an increase also in the import of goods made of cotton and artificial.

It may be inferred from the foregoing facts that where the duty was adequate the production in India showed an increase and that where it was inadequate, as on artificial silk, the imports increased, killing the existing industry. The industry possesses natural advantages in India, such as the abundance of raw material and the existence of a professional class of weavers. It is one of the oldest industries of India which at one time was in a very flourishing condition. In order to enable it to face the outside competition it is necessary to impose a protective duty and at higher rates.

(2) The existing form of import duty may continue but the rates of duty should be much higher on imports from places other than the United Kingdom.

(3) (*a*) There should be a higher rate of protective duty on goods from places other than the United Kingdom. For instance, Japan has, inspite of the existing high duty, been able to dump the market to the detriment of the local industry.

(*b*) (i) Cotton piecegoods—

(*a*) of British manufacture . .	*Ad valorem* same as at present.
(*b*) of non-British manufacture .	100 per cent.
(ii) Piecegoods made wholly or partly of artificial silk—	
(*a*) of British manufacture . .	Same as at present.
(*b*) of non-British manufacture .	125 per cent.
(iii) Yarn	Double the existing rate.

Enclosure No. 2.

Copy of a letter No. 1304-S., dated the 18th June, 1932, from the Registrar, Co-operative Societies, Punjab, North-West Frontier Province and Delhi, to the Secretary to Government, Punjab, Finance Department.

With reference to your endorsement No. 22457-F./Genl., dated the 27th May, 1932, I have the honour to forward, herewith, a copy of the Industrial Assistant Registrar's report with the following remarks:—

1. The decrease in the number of weavers in the past decade has been remarkable. The main cause is competition from mill made and imported cloth. A subsidiary cause is the present day preference for fine if flimsy, as opposed to durable goods. The hand weaving industry is fast disappearing.

2. As regards the estimate of the annual production of hand spun (Section VI of the Report) the population of Jullundur and Hoshiarpur districts (rural) is 953,858 as against a provincial total of 11,074,638. The number of weavers in the two districts compare as follows:—

Jullundur and Hoshiarpur	19,277
Province	324,900

3. The handloom industry should stand to benefit from a substantial duty on piecegoods, and a free import of cotton yarn, particularly yarn used for khaddar, dosutis, lungis, bedspreads, kheses and darries.

4. It should benefit even more from the free import of artificial silk yarn and the imposition of a duty on artificial silk piecegoods. On the other hand the only chance for the dying pure silk handloom industry is protective taxation on artificial silk yarn and piecegoods.

(vii) *Extent to which Protective duty on (a) yarn, (b) piecegoods, will affect the handloom industry.*

Generally 64/2, price Rs. 7 per bundle of 5 lbs.,
30 (dyed), price Rs. 7 per bundle of 10 lbs.,
40 (dyed), Rs. 8-8 per bundle of 10 lbs.,
32 (dyed), price of Rs. 7-8 per bundle of 10 lbs.,

are used in preparing patkas, lungies, kheses and to some extent in shirtings. Any duty levied on these yarns will increase the cost of production, to the same extent. Our margin of profits will decrease accordingly. The wages of workers will likewise decrease and to the same extent it is against the interests of the handloom industry.

If we have to manufacture articles out of this yarn, then any duty on them would be harmful. The duty instead of on yarn should be levied on foreign piecegoods prepared of these counts of yarns. There should be at least 25 per cent. duty on the piecegoods.

For example, two bundles of 64/2 count cost Rs. 14. Add to it Rs. 11 as wages and other charges of preparation. This will give us 90 yards. Total cost would be Rs. 25, *i.e.*, As. 4-6 per yard. This price is when duty is levied. If the duty is removed, the cost of production per yard will go down to less than 4 annas per yard. At this price we can compete with the piecegoods and it pays the handloom industry to prepare mercerized cotton cloth.

This pays us when there is no duty on piecegoods and duty on yarn no longer exists. In case a duty is levied on the piecegoods, our industry is very much secured. Similar principle applies more or less to other imported counts.

General opinion is that the duty be removed from cotton yarn, and levied on piecegoods instead and the percentage of the duty should be at least 20 per cent.

Now take the example of artificial silk. Since the time, duty has been levied on the artificial silk yarn, it has increased the cost of production without any corresponding benefit in the sale price. The result has been a decrease in the margin of profits.

Secondly imported piecegoods which have been selling very cheaply have ousted our fabrics from the market.

There should be no duty on the artificial silk yarn and the duty already levied should be shifted on to artificial silk piecegoods. Our artificial silk handloom industry can survive only if piecegoods are taxed and the yarn is allowed to come free, otherwise it is bound to die out.

We take an instance. Two bundles of 150 counts of artificial silk costs Rs. 22-10 under the present protective duty of 25 per cent. Adding to it Rs. 11-6 as preparation charges, etc., the total cost would be Rs. 34 for 150 yards of cloth, *i.e.*, As. 3-9 per yard. If the duty on the yarn is removed, the cost of production per yard would come to annas 3 or even below that figure. If we levy this duty on import artificial silk piecegoods, our handloom artificial silk industry would be doubly protected. Firstly, our cost of production would be decreased, and secondly, the price of the imported piecegoods would go up, and we will be able to compete in the market.

It is generally felt that the duty on piecegoods should be 25 per cent. and the yarn should not be taxed. If no duty is levied on the piecegoods and yarn alone is taxed, then the handloom artificial silk industry will have to be given up.

In case both the artificial silk yarn and artificial silk piecegoods are heavily taxed, its effect will be twofold. In the first place, the price of the artificial silk piecegoods will be very high almost prohibitive. In the second place, it will not pay the weavers to use artificial silk yarn, and its demand

will naturally decrease. The result would be that the chance of reviving our, now almost dying pure silk industry will be brightened.

With the disappearance of artificial silk yarn and piecegoods, pure silk handloom industry will again come to life.

(Sd.) Ghulam Halder,
Industrial Assistant Registrar,
Co-operative Societies, Punjab.

Chief Commissioner, Delhi.

Letter No. B. 48/32-Commerce without date.

Subject :—PROTECTION TO THE INDIAN COTTON TEXTILE INDUSTRY.

In continuation of the letter from this office No. 5897-R. & A., dated the 29th July, 1932, on the subject noted above, I have the honour to forward a copy of the views expressed by the Industrial Surveyor, Delhi, on the subject, and to add that this Administration has no comments to make. I also forward a copy of the views of the Punjab Chamber of Commerce, Delhi, and of the Birla Cotton Spinning and Weaving Mills, Delhi. The Delhi Cloth and General Mills, Limited, and the Factory Owners' Association, Delhi, also submitted the same opinion as the Punjab Chamber of Commerce, Delhi. The Honorary Secretary, Delhi Piecegoods Association, has addressed you in his letter dated the 16th June, 1932, but I enclose a copy of his letter dated the 8th July, 1932, which embodies the views of the Association on the handloom industry.

Six spare copies of the views mentioned above are enclosed as desired in para. 3 of your letter No. 170, dated the 22nd April, 1932.

Enclosure No. 1.

Copy of a letter No. 2254-M., dated the 7th July, 1932, from the Industrial Surveyor, Delhi, to the Deputy Commissioner, Delhi.

Subject :—TARIFF BOARD ENQUIRY INTO THE QUESTION OF GRANTING PROTECTION TO THE INDIAN COTTON TEXTILE INDUSTRY.

With reference to your endorsement No. 2648/M./1—17/467, dated the 13th May, 1932, on the subject cited above, I have the honour to state that I have examined the question from its various aspects and feel inclined to urge the consideration of the desirability of granting protection to the Indian Textile industry in order to bring about its healthy growth.

2. It will be remembered that the protection to the cotton textile industry was given in the year 1930 in order to erect a temporary shelter under which the industry was to reorganize itself. This was effected by the Cotton Industry Protection Act of 1930, whereby protective duties were imposed on cotton piecegoods for a period of three years. These duties are fixed at a lower rate on piecegoods of British than on those of non-British manufacture. By the same Act the operation of the duty imposed by the Indian Tariff (Cotton Yarn Amendment) Act, 1927, was extended for a further period of three years owing to the unfair competition arising from the prevalence of inferior labour condition in other countries, *e.g.*, China. These duties will expire on March 31, 1933, and the present Tariff Board Enquiry is due to the assurance then held out by the Government, that the question will be examined after the Cotton Industry Protection Act had been in force for three years.

Since the passing of the Cotton Textile Industry (Protection) Act it will be seen that three noteworthy changes have occurred. In the first place, the rate of duty on cotton piecegoods has been raised by two successive

Finance Acts and is now levied at a rate substantially higher than what the Legislature found it to be necessary to give temporary shelter to the indigenous industry to start with. In the second place, there has been an increase in the imports of piecegoods wholly or partially of artificial silk, and the duties on such goods have been raised to rates applicable to goods made wholly or partly of real silk. Finally, the Government of India have decided to discuss at the forthcoming Imperial Conference at Ottawa the question whether Great Britain and India should enter into a trade agreement embodying a preferential tariff regime so designed as to benefit the trade of both the countries.

3. The Tariff Board has laid great stress on the prospects of the provincial handloom industry and desires to be enlightened along with other details as to how its recommendations will affect handloom weaving. In this connection it may be observed that the handloom industry in this province is not organised to any marked degree. But for the movement of boycott of foreign cloth coupled with the prevailing public sentiment and feeling for patronage to hand woven goods the industry would long have perished in the province. In its moribund condition, however, it offers some, though only very little, competition to the mill industry. In so far as I am informed there are about 200 families engaged in the industry with about 450 looms. The village weaver has to depend for his living upon other subsidiary occupations and although no reliable statistics are available it is estimated that each adult member of a household working for about 12 hours a day produces about 15 yards of cloth of 28″ width. Thus the maximum production works out to about 900,000 yards of cloth annually taking the average working days at 300

From the enquiries conducted I am informed that only 50 per cent. of the yarn consumed by the weavers is supplied by "charkha" locally and out of the remaining 50 per cent about 30 per cent. is supplemented by the local mills and the neighbouring hand spinning centres and the rest for purposes of borders, stripes, etc , by imported varieties generally. The yarn consumed is usually of counts Nos. 10 to 15 and sometimes 20. The current prices are:—

(*a*) Local hand spun yarn—Rs. 3 per 10 lbs.

(*b*) Local mill yarn 10s to 13s—Rs. 3-3 per 10 lbs

(*c*) Local mill yarn 20s—Rs. 3-12 per 10 lbs.

(*d*) Imported yarn—Rs. 2-12 per 10 lbs.

The principal lines produced by the local weaver are "goji", "doria", "dhoti" and "khadar", which offer a little, if at all, competition to the mill products and none at all to the imported piecegoods. The approximate cost of manufacture of the above mentioned typical classes of cloth has been worked out at about 10 per cent. lower than the selling price.

The following table will show on a comparative basis the prices realised per yard so far as available for one of the principal comparable classes of mill made and imported cloth during the past four years:—

Doria.	Local hand-loom.	Local mill.	Imported. United Kingdom.	Imported. Japan.
	As. P.	As. P.	As. P.	As. P.
1929	6 0	5 0	4 3	3 9
1930	5 0	4 6	3 9	3 6
1931	4 6	4 0	3 0	2 9
1932 (current) . .	4 0	3 6	3 0	2 6

With all these the importance of the handloom industry cannot be ignored from the point of view of economics, and any increase in the duty on

imported yarn requires thorough investigation with utmost caution. The imposition of a high duty is expected to result in the enhancement of prices of the cloth and is likely to prove an adverse factor in curtailing the demand for the products of the handloom remembering that it requires about six handlooms to keep pace with one powerloom. As an ultimate consequence the handloom weaver, ill organised as he is at present would be hard hit as, it is not probable under existing conditions for him to meet the rise in prices of yarn by correspondingly raising the cost of his cloth. Having limited resources at his disposal he will have therefore to live on his own fat to some extent. On the other hand the duty on yarn will give a decisive advantage to the powerloom with which the handloom weaver has to compete to an extent as far as coarser goods are concerned. The majority of the weaving mills have their own spinning departments and will therefore be out of the sphere of any effect of the rise in duty on yarn but the lot of the poor handloomer who has to obtain his supplies from the market would undoubtedly be made worse whether he purchases imported or local mill made yarn. In my opinion, any considerable rise in duty on yarn will go to crush the handloom industry altogether—a situation which is hardly to be tolerated. The competition of the handloom industry with the mill industry even in regard to coarser cloth should not count much and on this account alone no protection should be afforded to the mill industry on this score. The local handloom weaver is not effected by the imposition of duty on artificial silk goods or yarns since none of them is interested in silk weaving. Nevertheless I view with favour the imposition of a duty on artificial silk goods or yarns in order to check the ever-increasing imports from Japan, and thereby to put a stop to the unusually high drainage of country's wealth.

4. The progress made by the local mills during the past two years sets out, beyond all doubts, the beneficial effects of the protection. The Delhi Cloth and General Mills Company, Limited, now own three mills, worked by two shifts the Birla Cotton Spinning and Weaving Mills, Limited, are run 24 hours by three shifts and the Lakhmichand Joipuria Spinning and Weaving Mills are worked by double shift. It, however, so happened that the protection régime for the Indian textile industry coincided almost from the very beginning with the inauguration of the swadeshi and boycott movements in the country, and these two factors so worked together during the last two years that it is exceedingly difficult, if not impossible, to assess the respective influence of each factor in the general result. The following statement of production of cotton yarn spun and woven goods manufactured in the local cotton mills during the five years ending 1929-30, clearly shows how far the mills have been able to replace imported goods with indigenous products and have been able to take advantage of the protection, inadequate as it is declared and which is said to have been fully justified by events granted in 1930:—

	Yarn.	Woven goods.		
	Lbs.	Lbs.	Yarn.	Dozens.
1925-26 . .	8,060,573	6,540,418	19,628,266	4,104
1926-27 .	10,309,660	8,311,931	26,121,704	31,631
1927-28 . .	12,106,954	10,205,350	33,946,750	18,673
1928-29 . .	14,319,170	12,161,761	41,376,787	22,596
1929-30	18,441,539	15,938,598	53,833,217	15,422

From the above figures the progress made by the textile industry in Delhi can safely be said as remarkable though it has to face the high railway freight, burden of duty on machinery and dye stuffs and other local taxation. In my view if adequate protection is afforded to the industry it is likely to replace a large portion of foreign goods within a reasonably short time, as imports have already witnessed a decrease.

A heavy protective duty is claimed by the Indian cotton millowners on the plea that they cannot hold their ground against the keen competition

offered from abroad, which again is ascribed to several factors of which the following are a few important ones.—

(1) The efficiency of the operatives (India 160 units, Japan 570 units).
(2) Exchange value of the rupee at 1s. 6d. gold.
(3) The high bank rate which has prevailed in India for a number of years.

It is also declared that apart ffom the high bank rate, industrial concerns find great difficulty in obtaining adequate finance on reasonable terms. The force of argument appears plausible but the millowners have overlooked totally the condition of the Indian middle class and the cultivators, who beyond all dispute, form the back-bone of the country. They have also omitted to consider the axiomatic truth "competition is the mother of improvement". If competition is eliminated all hopes of advancement will be cut off and in addition, the middle class and the cultivator will be hard hit in as much as there will be no choice left for them and they will have to pay fancy prices demanded. Moreover, if imports are practically stopped the exports will also be reciprocally affected resulting in the loss of overseas markets to the Indian grower when any particular commodity does not enjoy the monopoly as is the case with jute. Therefore its effect on the cotton grower will be to discourage him in the extent of his productions. On the other hand, this will operate in favour of the indigenous manufacturer inasmuch as he can always obtain his wants of the raw material in sufficient abundance and at a comparatively low cost because he will now be the only dictator of prices. These will undoubtedly have an adverse effect on the national recources.

5. When the protection to the cotton textile industry was given in 1930, in order to erect a temporary shelter under which the industry was to reorganise itself, the principle of Imperial preference, under that Act, was introduced by which piecegoods imported from the United Kingdom were to be subjected to a lower duty than those imported from other countries. This measure of Imperial preference was imposed on the country, as is claimed by a section of industrialists, in the teeth of violent opposition, from the commercial community and the public which is unequivocally opposed to any such principle. The cotton textile industry is alleged to had to submit itself to this measure on pain of withdrawal of the measure of protection to it. It is observed by millowners that if a *primâ facie* inference could be drawn from the difference in the two enquiries, in the present case, the question of preference to the goods from the United Kingdom is looming large.

The reason of imposing a smaller duty on imports from the United Kingdom is best explained in the words of the Hon'ble the Commerce Member in 1930, which are as follows:—"It may be urged that a 20 per cent. duty on all imported piecegoods would lead to a rapid development of the industry and in particular would bring about a substantial increase in the spinning and weaving of the finer counts made from imported cotton. The answer to this plea is to be found in the Hon'ble Finance Member's Budget Speech. What Government have proposed is protection for a strictly limited objective. The object in view at the moment is not the development of industry but its preservation. The continued existence of a large number of mills in Bombay Island is threatened, and it is because the danger is so acute that Government have felt justified in proposing a measure which involves a departure from their ordinary fiscal policy. To keep the industry alive during the next three years what is required is not encouragement to launch out into new forms of manufacture, which involve new equipment and more highly trained labour, but measures which will preserve to the mills the markets in those classes of goods which they are already equipped to produce and for the manufacture of which their labour is trained. Any substantial increase in the production of the finer goods means the expenditure of capital, the purchase of new equipment and improvements in the efficiency of labour, and three years would be over before much progress could be made." The Hon'ble the Commerce Member also pointed out that the Government felt most strongly that the benefit

the Indian mills could derive from a 20 per cent. duty on all goods during the next three years would not be small and wholly incommensurate with the burden imposed on the consumers. He calculated that the imposition of an additional 5 per cent. duty on British goods would mean a burden on the consumer of Rs. 2 crores a year, and that ⅞th of this sum would cause no appreciable benefit to the millowners because their output of the finer goods during the period must be very small. The remaining ⅛th might benefit the industry to the extent to which Indian goods replace British goods. He also pointed out that only about ⅛th of the imports from the United Kingdom compete directly with Indian goods because in any class of goods which may be made from Indian cotton, the United Kingdom mills have been unable to face the competition of Indian mills and have been accordingly driven out of the market. All these facts summed up together coupled with the low purchasing power of the ryot and world factor of depression easily dispose of the objections raised in respect of the Imperial preference.

6. Outlining their proposals as to the protection needed an important section of industrialists advocates the *ad valorem* system of duties. The chief defect of an *ad valorem* system of duties to my mind is that, during the period of falling prices, the extent of protection afforded by any particular rate of duty is continually fluctuating and diminishing. On the other hand in a period of rising prices, the incidence of the duty might prove unnecessarily heavy, other factors remaining the same. I am of the opinion that a system be devised by which minimum specific duties on all the main classes of imports may be levied. This will do away with the advocation for a specific duty for each and every type of cloth, based on the difference in the cost of manufacture in Indian and the cost in the country from which it is imported since such a system will undoubtedly result in administrative difficulties.

7. To sum up, it may be noted that the cotton mills in Delhi and in other centres have been able to show a record of somewhat rapid development on all sides, there have been effected some technical and financial improvements. It is generally felt that if adequate protection is given to the industry—Imperial preference expected for a short period in the future it might be able to face world competition without the necessity of any further protection, and thus the burden on the consumer will determine automatically. I might mention that reforms are necessary in the methods of management of the mill industry in India, inasmuch as the recommendations of the Tariff Board have not been carried out to any appreciable extent. It must therefore be looked into carefully and if much has not been done in the past, the causes which have impeded the desired improvements should be studied. It is, however, clear that the millowners have shown an anxiety to set their houses in order. If they have not been able to do all that was expected of them a further opportunity to my mind, should be given to them, as it will be recognised, it is difficult to carry out big reforms which necessitate expenditure, in lean days when capital is difficult to raise and when the general atmosphere acts like damper to many a good scheme. I would, under the circumstances, suggest that in order to keep alive the textile mill industry and to bring about a development of the same it is but essential that it might be granted protection which the Board may consider adequate, as then alone would it be possible for the industry to reorganise itself on sound lines both technically and financially.

Enclosure No. 2.

Views of the Punjab Chamber of Commerce, Delhi.

Towards the close of the Twenties the Government of India realised that the Indian Textile Industry was in a very precarious condition and needed immediate protection. They, therefore, set up a Tariff Board to investigate into the matter and following the recommendations of the Board gave a meagre and a temporary shelter to the industry against foreign competition. What with this protection and the great wave of swadeshism in the country

the Indian Textile Industry progressed satisfactorily for some time. The industry followed the recommendations of the Tariff Board and concentrated its efforts to the production of better and finer goods. This will be evidenced from the statement attached herewith showing the production of coarse and finer yarn in our mills year by year since 1928. Since the imposition of this protective duty the Government of India have twice increased the duty on foreign piecegoods for revenue purposes. This would indeed have been a very great help to the Indian Industry had it not been due to the fact that the advantages due to this ware counterbalanced by the imposition of the duty on raw cotton, on machinery, on stores and dye-stuffs; increase in railway freight, on coal, increase in the rates of income-tax and super-tax, postal and telegraphic charges and the disadvantages of an uncertain exchange. India is not immune from the effects of the world depression. She has got her own troubles as well. Being primarily an agricultural country, the fall in the prices of the agricultural produce has very adversely affected the purchasing power of the Indian people at large. And the textile industry, therefore, again finds itself now in the threes of a worse crisis than what it had to face a few years ago. We are enclosing herewith a statement showing the prices of cotton and cloth year by year which is self-explanatory.

What with the depreciated Yen Exchange and the incredibly cheap labour in Japan, the Japanese competition here is as keen to-day as ever and it is an open secret that Japanese goods are available in the country at prices which are below the cost of production in India and defy all competition.

There are only two ways to meet this unfair competition:—

(1) The first is the reduction in the cost of Indian cloth which will enable the producer to market his goods at a competitive price. The Indian producer has effected a great economy in the cost of production during the last few years and we do not think that any appreciable decrease in the cost can safely be expected now. Wages, which constitute the major part of the cost of production, cannot under any circumstances be reduced in India. The Bombay mills tried to standardise wages with the result that they had to face an unconscionably long strike. The workmen simply refuse to hear of any reduction in wages. It may be pointed out here that with the general fall in prices the labourer has got a corresponding increase in his real wages, which is estimated to be about 32 per cent. It is surprising that in spite of this indirect increase in wages the Government of India have thought of still further burdening the producer by proposing to increase the scale of compensation under the Workmen's Compensation Act.

(2) The second alternative is to protect the industry by adequate tariff walls. It will be advisable to have something in the nature of an anti-dumping legislation as well to avoid unfair competition with Japanese goods. While on this subject we cannot refrain from saying that fine spinning and weaving in India is in its infancy and needs great care and protection against foreign in roads. We have no objection to give preference to British goods against other countries but not at the cost of the Indian producer.

To sum up, we want sufficient protection with a tidumping legislation and preference to British goods, if necessary, against other countries only.

THE DELHI CLOTH AND GENERAL MILLS COMPANY, LIMITED.

Statement showing the quantity of coarse and fine yarn manufactured year by year since 1928.

Year.	Below 28s.	Over 28s.	Total.
1928-29 . .	9,860,602	38,081	9,898,683
1929-30 . .	10,566,897	52,892	10,619,789
1930-31 . .	12,391,646	203,715	12,595,361
1931-32 . .	14,432,209	829,448	15,261,657
			(Approximately.)

Statement showing the prices of Indian and American Lyallpur cotton and Indian cloth from 1927 to 1932 with percentage of fall in the rate.

Quality.	Weight.	30th June, 1927.	Actual Cotton Price.	Balance Rate.	30th June, 1928.	30th June, 1929.	30th June, 1930.	30th June, 1931.	17th June, 1932.	Actual Cotton Price.	Balance Rate.	Percentage Fall Rate.
	Lbs. oz.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
Indian Cloth.												
Dhoti—												
No. 3600 . . .	3 3	2 13 0	1 4 3	1 8 9	2 13 0	2 11 6	2 6 6	1 14 6	1 14 0	0 11 3	1 2 9	24
No. 6010 . . .	2 8	2 11 0	1 4 6	1 6 6	2 11 0	2 10 0	2 4 6	1 14 0	1 14 0	0 11 3	1 2 9	18
Sheeting—												
No. 3624 . . .	8 7	6 12 0	3 4 0	3 8 0	6 14 0	6 10 0	5 14 0	4 6 0	4 6 0	1 10 0	2 12 0	21
No. 621 . . .	6 10	6 14 0	2 12 0	4 2 0	6 4 0	6 6 0	5 6 0	4 3 0	4 [illegible] 0	1 6 0	2 15 0	29
Cotton.												
Desi Cotton (Indian) . .	..	31 8 0	..	..	31 8 0	28 8 0	20 1 0	12 0 0	18 8 0	..	..	50·7
American Cotton (Lyallpur) .	..	4 12 0	..	.	42 0 0	38 0 0	30 6 0	20 0 0	24 0 0	..	..	40·7

Enclosure No. 3.

Copy of a letter dated the 31st May, 1932, from the Secretary, Birla Cotton Spinning and Weaving Mills, Limited, Delhi, to the Deputy Commissioner, Delhi.

With reference to the copy of letter No. 170, dated the 22nd April, 1932, from the Secretary, Tariff Board, Bombay, to the Chief Commissioner, Delhi, enclosing therewith a copy of press communiqué regranting protection to the Indian Textile Industry, we beg to reply to the points so far as they are related to us in the above communiqué, as under:—

1. Yes, the claim has been clearly established.

2. By means of import duties.

3. (*a*) Same rate of protection is required. No preference should be given to British goods because if the preference to United Kingdom is to be given effective protection would be impossible. Any proposals for effective protection to the Cotton Textile Industry on the one hand and effective preference to the United Kingdom on the other hand are self-contradictory in terms.

(*b*) Adequate enhancement in rate of import duty must be made in view of the fact that the Indian Textile Industry is practically failing against foreign competition.

Enclosure No. 4.

Copy of a letter dated the 8th July, 1932, from the Honorary Secretary, Delhi Piecegoods Association, to the Deputy Commissioner, Delhi.

With reference to your endorsement No. 2648-M., dated the 13th May, 1932, forwarding a copy of a letter No. 170, dated the 22nd April 1932, from the Secretary, Tariff Board, to the Chief Commissioner, Delhi, and a copy of the press communiqué issued by the Tariff Board on the 11th April regarding enquiry into Indian Cotton Textile Industry and inviting the opinion of the Association thereon, I am directed to send you herewith a copy of a letter addressed by my Association to the Secretary, Tariff Board, which covers everything except your query about the handloom industry.

In regard to this particular item my Committee is of opinion that this industry also deserves some protection, but under the present circumstances that 15 per cent. duty suggested should automatically give protection to this industry as well.

Government of Burma.

Letter No. 118-K. 32 (411), dated the 15th August, 1932.

INDIAN COTTON TEXTILE INDUSTRY—PROPOSED CONTINUANCE OF TARIFF PROTECTION TO THE.

With reference to your letter No. 170 of April the 22nd, 1932, I am directed to express the regret of the Government of Burma for the delay in sending their reply and to forward herewith copies of the letters submitted by the Financial Commissioner (Transferred Subjects) and the Superintendent of Cottage Industries. It is hoped that these letters will give all

the information which the Tariff Board require. The Government of Burma generally agree with the views expressed by the two officers mentioned.

2. I am to add certain observations of a more general character. In Burma there is only one small spinning mill and the handloom industry is comparatively small. If Burma were a separate country, it is doubtful whether protection of the local spinning and weaving industries would be justified. Generally speaking, it may be said that Burma exports raw materials and imports manufactured articles. Customs duties are required principally for purposes of revenue, and subject to this consideration they should be kept as light as possible in the interest of trade and of the general consumer. The heavy protective duties imposed by the Government of India on yarn and piecegoods are definitely harmful to Burma, and from the point of view of Burma alone there can be no justification for continuing the present measure of protection.

3. The Government of Burma recognise however that the Tariff Board must look at the matter from a wider stand point. Even so, the Government of Burma doubt whether the continuance of the present measure of protection can be justified. A complete change has come over the situation since the present has gravely deteriorated and is worse now than it has ever been within the memory of living man. Last year the price of paddy in Rangoon fell to Rs. 70 per hundred baskets, the lowest price for at least fifty years. The prices of the principal agricultural products of India including raw cotton dropped almost as much. Agriculture is the principal industry of India and the agriculturist has suffered more than any other class by reason of the present economic depression. He is now seriously impoverished and that fact should be taken into account in framing India's tariff policy. Clearly his interests must be taken into consideration in considering whether the present heavy measure of protection should be continued to the Indian textile industry, and they should not be sacrificed to those of the Bombay millowners. It seems extraordinary that the Indian textile industry should require protection at all. It is one of the oldest industries if not the oldest industry, in India. Cotton is one of the staple crops of India. There is a huge market at the very doors of the industry, and the protection of the industry cannot be justified by any of the principles laid down by the Indian Legislative Assembly in 1923. It may be that the industry is not flourishing at present, but (probably) the main reason is almost certainly the reduced purchasing power of the consumer and the remedy obviously does not lie in increasing the price of piecegoods artificially against the consumer. In any case this is a particularly unfortunate time to raise the price of necessaries of life against him. The main demand for protection comes from Bombay and it is believed that the Bombay mills suffer as much from the competition of up-country mills as from that of imported yarn and piecegoods. Moreover it is a point for enquiry how far any depression which may exist in the Bombay mill industry is due to the political turmoil created by the Bombay people themselves. Clearly the people of Bombay cannot be allowed to have it both ways. Ever since the Act of 1930 was passed the people of Bombay, or a considerable proportion of them, have done their utmost to make Government impossible and to create conditions in which the mill industry could not be expected to flourish. At the same time they apply to the same Government, which they have been doing their best to bring down, to protect them at the expense of the rest of India from the consequences of their own actions. The Government of Burma feel entitled to ask that this aspect of the question should be carefully examined. It seems to them indefensible that the people of Burma should be required to pay more for their cloth in order that the millowners of Bombay may be compensated for losses for which the people of Bombay are themselves largely responsible. A further point for enquiry is whether the difficulties of the Bombay mills are not due to the fact that Bombay is no longer a suitable centre for a mill industry. It is a big seaport town, the cost of living is very high and mill labour, while not very efficient, is comparatively expen-

sive. Municipal and other taxation is correspondingly heavy, and Bombay is far way from the sources of cotton supply. Inevitably therefore the cost of production in Bombay is excessive, and that is one reason why in recent years there has been a tendency for Bombay mills to lose ground to up-country mills which are situated nearer the sources of cotton supply and nearer their markets. It is at least open to argument whether the real solution of the difficulties of the Bombay mills is not to transplant the mill industry from Bombay.

4. The general conclusion of the Government of Burma is that *primâ facie* there is very little justification for an all round protection for the cotton textile industry, and that the duties on imported yarn and piece-goods should be purely revenue duties. If the industry is suffering from unfair competition from Japan, due either to the depreciation of the *yen* or to unfair labour condition in the Japanese mills, the proper remedy would appear to be to pass an anti-Dumping Act and to take power to impose such additional duties as seem to be required solely on imports from Japan.

Enclosure No. 1.

Copy of leter No. 445/6—I.—32, dated the 10th June, 1932, from the Secretary to the Financial Commissioner (Transferred Subjects), Burma, to the Secretary to the Government of Burma, Revenue Department.

Subject:—CONTINUANCE OF TARIFF PROTECTION TO THE COTTON TEXTILE INDUSTRY.

I am directed to reply to your letter No. 118-K. 32 (411), dated the 6th May, 1932, in which the Financial Commissioner (Transferred Subjects) was asked for his views, after consulting such commercial interests as he might consider necessary on the general question referred to the Tariff Board in Government of India, Commerce Department, Resolution No. 341-T. (150), dated the 9th April, 1932, concerning tariff protection for the Indian cotton textile industry after the expiry on the 31st March, 1933, of the duties imposed or extended by the Cotton Textile Industry (Protection) Act, 1930. Your letter mentioned that the Secretary to Government, Forest Department, had been asked to furnish the information required to reply to para. 2 of the Tariff Board's letter No. 170, dated the 22nd April, 1932. The Financial Commissioner has ascertained that the Superintendent of Cottage Industries has been asked to report regarding the handloom industry and will submit his report to the Forest Ministry.

2. The Burma Chamber of Commerce, the Burma Indian Chamber of Commerce and the Burmese Chamber of Commerce have been consulted and a copy of the Tariff Board's letter No. 194, dated the 9th May, 1932 (received with your letter of the 21st May), also was sent to them. Copies of the Tariff Board's letters of the 22nd April (with enclosure) and of the 9th May were sent also to the Rangoon Trades Association in case any of the members of the association should wish to express their views. Two letters received from the Burma Chamber of Commerce in reply are enclosed. The opinions of the Burma Indian Chamber of Commerce have not yet been received. The Burmese Chamber of Commerce is not prepared to state any views because "the position of the cotton textile industry in Burma is quite different from that in India". No opinions have been received from members of the Rangoon Trades Association.

3. The first paragraph of the Resolution of the Government of India refers to an assurance given by Government to the Legislature, when the Cotton Textile Industry Protection Bill (Legislative Assembly Bill No. 12 of 1930) was under consideration, that before the termination of the three-year period the effect of the duties on the production of cotton piece-goods in India and on the Indian cotton textile industry would be examined in a Tariff Board enquiry.

4. The duties (1) at the beginning of 1930, (2) imposed or extended by the 1930 Act and (3) the rates now in force (*vide* Supplement to the *Indian Trade Journal*, dated the 17th December, 1931) are as follows:—

—	Tariff duties. Beginning of 1930.	1930 Protection Act.	1932.
Cotton piecegoods—			
(*a*) plain grey—			
(i) of British manufacture	11 per cent. *ad valorem*.	15 per cent. *ad valorem* or 3½ annas per pound whichever is higher.	25 per cent. *ad valorem* or 4⅜ annas per pound whichever is higher.
(ii) not of British manufacture.	11 per cent *ad valorem*.	20 per cent. *ad valorem* or 3½ annas per pound whichever is higher.	31¼ per cent. *ad valorem* or 4⅜ annas per pound whichever is higher.
(*b*) others—			
(i) of British manufacture	11 per cent. *ad valorem*.	15 per cent. *ad valorem*.	25 per cent. *ad valorem*.
(ii) not of British manufactures.	11 per cent. *ad valorem*.	20 per cent. *ad valorem*.	31¼ per cent. *ad valorem*.
Cotton twist and yarn and sewing or darning thread.	5 per cent *ad valorem* or 1½ annas per pound whichever is higher.	5 per cent. *ad valorem* or 1½ annas per pound whichever is higher.	6¼ per cent. *ad valorem* or 1⅞ annas per pound whichever is higher.
Yarns and textile fabrics, *i.e.*, cotton thread other than sewing or darning thread and all other manufactured cotton goods not otherwise specified.	15 per cent. *ad valorem*.	(No change)	25 per cent. *ad valorem*.

The duties on cotton piecegoods were raised with effect from the 1st March, 1931 (additional 5 per cent. on piecegoods), and again from October, 1931 (temporary surcharge of 25 per cent. of the duties).

5. The Government of India Resolution of the 9th April, 1932, refers also to piecegoods made wholly or partly of artificial silk, and mentions that a very large increase has occurred since the 1930 Act in the imports and that the duties on such goods have been raised to the rates applicable to goods made wholly or partly of real silk. The duties on artificial silk piecegoods or mixtures at the beginning of 1930 (when they were not specified in the Tariff Schedule) and the duties now in force are as follows:—

—	Tariff duties. Beginning of 1930 (yarns and textile fabrics—not otherwise specified).	1932.
Artificial silk piece-goods—		
(i) Artificial silk goods required for medical purposes.	15 per cent. *ad valorem*.	25 per cent. *ad valorem*.
(ii) Artificial silk mixtures	15 per cent. *ad valorem*.	34⅜ per cent. *ad valorem*.
(iii) Artificial silk piece-goods and other manufactures of artificial silk not otherwise specified.	15 per cent. *ad valorem*.	50 per cent. *ad valorem*.

The duties on artificial silk piecegoods and "mixtures" were raised to the same rates as the duties on real silk and real silk mixtures with effect from the 30th September, 1931.

6. According to the summary of the foreign sea-borne trade of British India in the calendar year 1931, which was published at pages 728 *et seq* of the *Indian Trade Journal* of the 10th March, 1932, there was a very great decline of imports of cotton piecegoods in 1931, and a smaller decline in imports of yarn.

	Decrease of 1931 imports as percentage of 1930 imports. Quantity	Value
Cotton piecegoods	40·8	19·1
Cotton twist and yarn	6·25	20·7

Nevertheless the summary remarks that imports of "white goods" from Japan and of twist and yarn from China increased in quantity in 1931.

7. Imports of artificial silk piecegoods are not mentioned in the summary, unless they are included in silk piecegoods, which are shown as having decreased by Rs. 16½ lacs. Imports of piecegoods made of cotton and artificial silk on the other hand increased by 53·7 per cent. in quantity, though only by 3·9 per cent. in value. The quantity (83 million yards) of artificial silk and cotton mixtures imported in 1931, is 16·2 per cent. of the decrease (512 million yards) of imports of cotton piecegoods in that year.

8. The following table from statistics published in the *Bombay Labour Gazette* and probably obtained under the Cotton Industry (Statistics) Act, 1926, give information about production of manufactured cotton goods in the Bombay Presidency, Bombay City and Ahmedabad:—

Yarn (thousands of pounds)—years ending 31st March.

	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
Bombay Presidency.	512,022	419,840	329,855	467,289	475,944	499,231
Bombay City .	344,859	318,747	153,753	263,217	270,906	292,643
Ahmedabad .	105,908	111,112	116,718	135,107	137,107	137,830

Woven goods (thousands of pounds)—years ending 31st March.

	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
Bombay Presidency.	407,283	421,591	284,057	376,413	392,057	419,054
Bombay City .	265,119	265,937	122,077	197,914	213,038	241,047
Ahmedabad .	104,601	111,409	121,833	133,528	137,776	135,819

The year 1926-27 was a record year for yarn production in Indian mills. The production in the complete year 1931-32 seems likely to surpass all records both for yarn and woven goods, notwithstanding the very severe general depression of trade.

In an article published in the *Indian Trade Journal* (27th August, 1931) on the Cotton Textile Trade of the Bombay Presidency, 1930-31, *i.e.*, for the official year ending the 31st March, 1931, it is stated that the local production of cotton piecegoods recorded an advance of about 4 per cent.

over the previous year's working. There was, however, a considerable decrease (27 millions yards) in exports owing to foreign competition in the buying countries (chiefly Gulf Ports and East Africa). The decrease in Indian exports of cotton piecegoods appears to have been retarded during 1931 since the above mentioned summary of sea-borne trade states (page 732, *Indian Trade Journal*, dated the 10th March, 1932) that the shipments fell only from 103 million yards to 99 million yards in 1931 (calendar year). The export trade in cotton yarn is described in the above mentioned article on the Bombay Cotton Textiles Trade in 1930-31 as having been in an unsatisfactory condition owing (among other things) to competition of cheaper foreign yarns and high tariff walls in consuming countries; but the exports of yarn fell by only about 7 per cent. compared with 1929-30. In the calendar year 1931 compared with 1930 the decrease of yarn exports was 4·3 per cent.

9. There has been a remarkable increase in the imports of raw cotton from Kenya, the United States of America and Egypt. According to the Bombay report (above mentioned) the quantity rose from 24,000 tons in 1929-30 to 58,000 tons in 1930-31 · and the summary of sea-borne trade of British India mentions that raw cotton imports rose from 37,000 tons in 1930 to 81,000 tons in 1931. As the cotton imported from the countries mentioned is of longer staple than Indian cotton the increase of imports suggests that the Indian mills are now less restricted than before 1930 to spinning the lower counts of yarn. In the supplementary budget measures of September, 1931, a new duty of ½ anna a pound was imposed on imports of raw cotton

10. As regards prices there has been a world wide decline of commodity prices since the Act of 1930. The index numbers of wholesale prices in Calcutta printed at page 120 of the *Indian Trade Journal* of the 14th April, 1932, shows that while the index of all commodities had fallen by 19 per cent. in March, 1932, compared with June, 1930, the index of prices of cotton manufactures had fallen by only 7·2 per cent. The prices of cotton manufactures continue substantially above the prices of July, 1914, while the general index of all the commodities comprised has fallen below 1914 level. The *Bombay Labour Gazette* index number of wholesale prices recovering a smaller range of commodities) similarly shows increasing divergence of the price index of cotton manufactures from the general price index in the period from June, 1930 to March, 1932 (*Bombay Labour Gazette*, April, 1932, page 840). Cotton manufactures fell by 3·9 per cent. while the general index fell 11·8 per cent. Raw cotton on the other hand, the price of which had fallen abruptly in June, 1930, according to the Calcutta index, had risen by about 2·3 per cent. and according to the Bombay index by no less than 22·2 per cent., though still much below the general index number. It appears that the cotton milling industry enjoys a favourable position as regards prices of its manufactures for the Indian market, though foreign competition is likely to compel it to reduce its prices for the export trade The much less favourable position in the Calcutta and Bombay indexes of wholesale prices of the other commodities produced in India suggests that the maintenance of the relatively high prices of cotton manufactures is burdensome to those consumers in India, who do not share in the benefit of the tariff protection of cotton manufactures. The indexes of the cost of living of the labouring classes in Bombay and Rangoon suggest the same conclusion.

11. The first question referred to the Tariff Board in para. 3 of the Government of India Resolution of the 9th April, 1932, is whether the claim of the Indian cotton textile industry to protection has been established. The Financial Commissioner thinks that it is postulated that the Government of India is bound by the Resolution adopted by the Legislative Assembly on the 16th February, 1923, to acceptance of "the proposition that the fiscal policy of the Government of India may legitimately be directed towards fostering the development of industries in India", and that it is intended that the Tariff Board should examine subject to that

postulate the question whether cotton milling is a suitable industry to be protected by fiscal measures. All relevant considerations (not excluded by the postulate) are to be taken into account including part (*b*) of the Resolution of the 16th February, 1923.

12. It is evident that part (*c*) of the Resolution of the 16th February, 1923, in so far as it relates to the "safeguard suggested in para. 97 of the Report of the Fiscal Commission" is not relevant to this enquiry. The Indian Fiscal Commission (1921-22) suggested in para. 97 of its report that the Tariff Board should satisfy itself that the industries seeking protection—

(1) possess natural advantages;

(2) are unlikely to develop without the help of protection; and

(3) will eventually be able to face world competition unprotected.

Those criteria assume that only nascent industries will seek protection.

13. A description of the development of the cotton milling industry in India is given at pages 134 to 141 of Cotton's Handbook of Commercial Information for India (2nd Edition, 1924). The first cotton mill in India was started in 1838 and the first mill in Bombay in 1853. The industry developed without fiscal protection. In 1894 it received the protection of a 5 per cent. *ad valorem* import duty unbalanced by any excise duty in respect of yarn of counts not above 20; but that slight protection was removed in 1896: and then no fiscal protection was given again till 1917, when the import duty on manufactured cotton was raised from 3½ per cent. to 7½ per cent. *ad valorem* while the excise duty on products of Indian cotton mills remained at 3½ per cent. (pages 18-19 *op cit.*). By that time there were 267 mills employing 277,370 persons with 110,812 looms and 6,670,162 spindles, and value of the exports of manufactured cotton was nearly 9 millions. It is evident that the Fiscal Commission's 2nd and 3rd criteria have no application to this great industry.

14. The Indian cotton milling industry has in recent years received fiscal protection as regards the removal in 1925 of the excise duty, the Financial Commissioner thinks, mainly because removal of that duty had become an object of Indian national pride, and as regards the temporary enhancement of duties in 1930, because (according to the statement of objects and reasons of Legislative Assembly Bill No. 20 of 1930) the industry had not been able since the war to re-adjust its internal organisation to an extent sufficient to enable it to meet severe competition from other countries, where re-organisation had already taken place. The protection given in 1930 was described (*ibidem*) as an emergency measure "to give the industry temporary shelter and time to reorganise itself and increase its efficiency". The only criterion applied in that case seems to have been one which was suggested in para. 100 of the Fiscal Commission's Report—the case of an industry in need of protection as a result of some temporary deterioration or atrophy. The Financial Commissioner has no information whether reorganisation has been carried out and efficiency increased.

15. The special Tariff Board appointed in 1926 in its report (January, 1927) thought that the cotton milling industry in India was depressed and came to the conclusions (1) that the depression was largely due to causes not peculiar to India but world wide in their operation, (2) that in India the depression had been much more acutely felt in Bombay than in other centres and (3) that this state of affairs was due partly to causes for which the millowners themselves were responsible and partly to competition of mills in other parts of India and partly to competition from Japan. The Japanese competition was considered to be unfair because Japanese factory legislation at that time permitted employment of women at night. On the strength of this unfairness of competition of Japanese goods the *ad valorem* duty of 5 per cent. on imported cotton yarn was made subject to a minimum of 1½ annas per pound to give the Indian

industry more protection. This precedent of 1927 adds another criterion to those on which the grant of protection has been based in India. The last mentioned protection was extended by the Cotton Textile Industry (Protection) Act, 1930, though the employment of women at night in Japan had been prohibited by law (in 1929) this time because in China, though a law had been promulgated prohibiting child labour and employment of women at night no evidence was forthcoming that any steps had been taken to make this law effective (Statement of Objects and Reasons of Legislative Assembly Bill No. 12 of 1930). The Financial Commissioner has not seen any evidence as to competition of manufactured cotton goods from China with the products of Indian cotton mills.

16. It is evident that the industry has since 1930 enjoyed further great advantages both from the later increase of import duties, which were imposed on account of the need of Government for revenue and not for the purpose of protecting the industry, by the Indian Finance Act, 1931, and the Indian Finance (Supplementary and Extending) Act, 1931, and from other undesigned circumstances. The following remarks on this subject were made in the article on India at page 29 of the Extra Supplement to "The *Economist* of the 13th February, 1932":—

"*Commercial History of 1931.*

One outstanding effect of the slump in the imports has been to force the Government of India, for budgetary reasons, to raise import duties far beyond protectionist requirements, and in recent months imports from countries still on the gold standard have been further restricted by the incidence of an adverse exchange. . . . In relation to cotton piecegoods. . .

. . . further experience confirms previous calculation that the complete disappearance of the import trade is only a matter of erecting sufficient mills in India to meet domestic requirements. A number of new mills are under construction; and others are planned and will be proceeded with as soon as capital is available. The joint effects of economic and political influences on the import trade in cotton piecegoods are reflected in the appended totals covering the eight months ended November." The totals of the table referred to are for piecegoods of all kinds from all sources:—

	Million yards.	Value in crores.
1929	1,244	33
1930	667	15¼
1931	517	9¾

According to a tabular statement printed as a supplement to the *Indian Trade Journal* of the 19th November, 1931, 17 cotton milling companies were registered in the five months April to August, 1931. The Financial Commissioner has not been able to find complete returns of companies registered in 1930, 1931 and 1932.

17. Mr. Dunn thinks that the claim to protection cannot be established on the facts so far as his information goes. The protection, which the Indian cotton mills have enjoyed since 1917 has been burdensome to consumers in India; and the country does not appear to have received advantages compensating for that burden. If the high rates of import duties now in force are continued the Government of India is likely to lose revenue by the cessation of imports of manufactured cotton: and the longer these rates continue the greater the disturbance of business and dislocation of employment that would result from withdrawal of this protection. Complete withdrawal of fiscal protection would involve re-imposition of excise duties so long as revenue is raised from manufactured cotton goods. The cotton excise was so unpopular that it probably cannot now be re-imposed. In Mr. Dunn's opinion the best step to take now would be to reduce the import duty to the general rate for imports.

18. As regards the second question in para. 3 of the Government of India Resolution of the 9th April, 1932, Financial Commissioner thinks it unnecessary to consider other forms of protection than import duties since he is of opinion that the cotton milling industry ought not to be protected to the detriment of the consumers. As regards the 3rd question Mr. Dunn thinks that unless India can secure some advantages in the negotiations at the Ottawa conference by admitting goods from the United Kingdom at lower rates of duty than goods from other countries there is no sufficient reason for such discrimination.

Letter No. B. 9/476, dated the 21st May, 1932, from the Secretary, Burma Chamber of Commerce, Rangoon, to the Financial Commissioner, (Transferred Subjects), Burma, Rangoon.

PROPOSED CONTINUANCE OF THE TARIFF PROTECTION OF THE COTTON TEXTILE INDUSTRY.

I am directed to refer to your letter No. 365—368/61/32, dated the 14th May, 1932, and to send you the enclosed copy of a letter which the Chamber has addressed to the Tariff Board in connection with the above subject. This Chamber has no comments to make in connection with the subject of the handloom industry.

Copy of letter dated May 21st, 1932, from the Secretary, Burma Chamber of Commerce, Rangoon, to the Secretary, Tariff Board, Old Custom House, Bombay.

COTTON TEXTILE INDUSTRY (PROTECTION) ACT, 1930.

I am directed to refer to the Government of India, Department of Commerce, Resolution No. 341-T. (150), dated the 9th April, by which Government referred to the Tariff Board for examination the question of the effect on the Indian cotton textile industry of the duties imposed by the above Act.

2. In para. 3 of the above mentioned Resolution, the Government of India divide into three the lines on which the Tariff Board are requested to make their recommendations. The initial question, whether the claim of the Indian cotton textile industry has been established, governs all the others, and it is one on which this Chamber is unable to express any opinion, not being in possession of the data which will be submitted to the Board. The Chamber also does not desire to express any opinion in regard to the second question.

3. In regard to question 3 (*a*), the Chamber is of opinion that Lancashire goods (apart from greys, which are protected at present to the exclusion of Lancashire Greys) do not compete to any extent against the indigenous production, and this is especially applicable to the finer cloths such as lawns, jacconets, mulls and fancy styles, including prints. A preference could be granted in piecegoods of United Kingdom manufacture, made of yarns above 40s counts, without any appreciable detriment to the indigenous industry.

4. As regards question 3 (*b*) (*iii*) A—Yarns, the Chamber's information is that few Indian mills spin to higher counts than 30s, and whilst there are isolated cases where 40s are spun output of those counts are negligible and the Chamber is given to understand that the use of imported cotton would be necessary to give satisfactory results in spinning 40s. It is therefore the opinion of the Chamber that there is no need for any duty protecting the Indian industry against yarns of United Kingdom manufacture of 40s counts and above, and that if any protection is afforded, then a preference can be given to the United Kingdom goods.

Letter No. A. 281/476, dated the 30th May, 1932, from the Secretary, Burma Chamber of Commerce, Rangoon, to the Secretary to the Financial Commissioner (Transferred Subjects), Burma, Rangoon.

PROPOSED CONTINUANCE OF THE TARIFF PROTECTION TO THE COTTON TEXTILE INDUSTRY.

I am directed to refer to your letter No. 568—571/61—32, dated the 25th May, asking for the views of this Chamber on a point raised in a letter from the Tariff Board, namely, the effect, if any, on the handloom weaving industry of the existing import duties on artificial silk yarn and piecegoods.

In reply, I am directed to say that this Chamber has not sufficient data on the handloom weaving industry to enable it to form any opinion as to the effect on that industry of the import duties referred to.

Enclosure No. 2.

Copy of letter No. 848/W. 5, dated the 14th June, 1932, from the Superintendent of Cottage Industries, Rangoon, to the Secretary to the Government of Burma, Forest Department, Rangoon.

In reply to your endorsement No. 164—0, dated the 10th May, 1932, and memorandum No. 118-K. 32 (411) of Government of Burma, Revenue Department, dated the 21st May, 1932, I have the honour to submit herewith a report containing the information asked for. The information asked for in the Revenue Department memorandum is incorporated in the same report with that asked for in your endorsement.

2. The information has been compiled by the Principal of the Saunders Weaving Institute at Amarapura. I have been unable to submit his original report as I had to communicate frequently with him by telegram, as some portions had been omitted and others were rather confused. The credit for the compilation of this report should go to Mr. Mande.

3. I regret that the reply is overdue but this was unavoidable as the information required took a considerable time to hunt out, and the report has been completed as soon as it could be possibly done.

Information asked for in letter No. 170, dated the 22nd April, 1932, from the Secretary to the Tariff Board, to the Chief Secretary to the Government of Burma, Rangoon.

Para. 2.—Under normal conditions the natural effect of the Indian Tariff Cotton Yarn Amendment Act, 1927, on the handloom industry would have been to increase the prices of foreign yarn and proportionately increase the prices of handloom cloth woven from that yarn, or reduce the production of those varieties of hand woven cloth if higher prices for these were not obtainable. The Textile Industry (Protection) Act, 1930, in the same circumstances would, on the other hand, have increased the prices of foreign cloth and given an impetus to the indigenous industry. However the prices of yarn, foreign as well as Indian, have not gone up. On the contrary they have gone down and have a tendency to go down further. From inquiries made, it is learned that the prices of imported cloth did not go up, till the beginning of this calendar year; on the contrary they went down.

The import duty on cotton piecegoods was, however, introduced only in 1930. The effect of the duty could further be examined and judged from the figures of 1931-32 which are not available at present. Sufficient time has also not elapsed since the duty was raised by the second finance act

referred to in para. 2 of Government of India Resolution No. 341-T. (150), dated the 9th April, 1932, and which has caused a slight rise in prices of foreign cotton cloths.

The production of handlooms in the province has decreased during the last four years. This may be attributed to general rate depression, the reduced purchasing power of the agriculturists and chiefly to the imports, of large quantities, of cheap cloth, especially from Japan and in spite of the Cotton Textile Industry (Protection) Act, 1930.

Considering the above factors and the small proportion of foreign yarn used by the handloom weavers of this province [as per statement of yarn imports given under (e) below] when compared with the use of Indian yarn which is free of duty, it is possible that the handloom industry has been but little affected by the Acts. The prime causes of the decrease in the handloom industry cannot be said to be due to the two acts. The imposition of duty on imported foreign yarn introduced by the Indian Tariff Cotton Yarn Amendment Act has, however, added a small burden to the handloom weaver who uses such yarn without any balancing compensation to him because he has not been able to get more advantageous prices for his product, on the raw material for which he has to pay this duty. On the contrary owing to the continued import of cheap foreign cloth, the price he gets for his products is less than before, moreover as far as this province of Burma is concerned, it derives no benefits as little or no indigenous spinning is done (except by Messrs. Steel Brothers' Spinning Mill at Myingyan). The safeguard which the two acts were introduced to provide is as yet unnecessary. The burden of the import duties imposed by the two acts falls on the consumer of this province without any compensation either to him or to the province, the revenue thus obtained being payable to the Central Government and not to the local Government of Burma.

In addition to the above a considerable amount of silk and artificial silk is woven on handlooms in this province. The import duty on artificial silk yarn too has had but little effect upon the handloom industry. The same factors are present here as in the case of cotton, the result has been similar and the effects of the Acts are not what one would ordinarily have anticipated.

Table showing the quantities and costs of imports of artificial silk (yarn) during the five years ending 1930-31.

Year.	Quantity.	Cost.
	lbs	Rs.
1926-27	26,087	43,341
1927-28	87,072	1,59,859
1928-29	181,096	2,74,569
1929-30	335,425	4,25,729
1930-31	311,082	3,74,629

The quantities and costs of imports of artificial silk yarn in the above table indicate that in spite of the import duty, the use by handloom weavers of artificial yarn has much increased. The prices of both the raw and finished products too have not gone up. On the contrary they have both come down.

The information asked for by the Tariff Board is given below:—

(i) (a) According to the statement prepared at the time of the census of 1921, the number of handlooms including primitive (gyat) looms was 569,473.

(b) The number of persons who at the time of the census of 1921 were returned as weavers and whose main or subsidiary occupation was silk or cotton weaving, was 141,519.

NOTE (1).—Comparing the number of handlooms and the number of weavers a discrepancy would appear between these two figures. The probable explanation for this is that in Burma there is a large number of persons who have looms but do weaving in their spare time just for their family use. Weaving to them is neither a main nor subsidiary occupation and as such it is possible that they were not returned as weavers.

NOTE (2).—The above information was collected for the census eleven years ago. The census report for 1931 is not yet published and no other figures are available.

(c) Taking the figure of cotton yarn imports for the year 1927-28 when it was at its highest during the five years ending 1930-31 and allowing for local production (chiefly yarn produced by the Myingyan spinning mill) and export by land to China, the annual approximate maximum production of finished cotton cloth on handlooms would come to about 45,000,000 yards. Production, for the year 1930-31 which is the latest year for which the figures of imports are available would amount by similar calculation to about 32,000,000 yards of cloth.

NOTE.—The above is based on the recognised assumption of 3 yards of full width cloth to one pound of yarn but is calculated on a safer and lower basis in view of the coarse yarn used. If anything production will be more rather less than the figures given. The narrow cloth more usually woven in Burma has for the sake of comparison been converted in the process of calculation into full width cloth.

(ii) The principal class of cotton cloth woven by handloom weavers is lungyi cloth. Coarse cloth for shirting, coating or blanket purposes is also woven to a lesser extent. Direct competition in the market between these classes of cloth, with mill made or imported articles is not great because much of the weaving don villages is done for purely local domestic use. There is however keen indirect competition, as foreign and Indian mill made substitutes are replacing the indigenous articles. A few years ago one rarely saw a Burman in "shorts" unless of the type peculiar to the country and worn beneath the lungyi Nowadays on every side one sees boys clad in "shorts" of English cut and made from cheap imported foreign cloth—generally blue.

(iii) The only classes of cloth which are typically Burmese are in the lungyi class. The following table shows the manufacturing costs as well as other details:—

Type of Lungyi.	Cost of raw material annas per yard.	Cost of manufacture annas per yard.	Selling price annas per yard.
Cotton—			
Coarse	2	3	6
Medium	4	4	10
Fine	6	6	16
Cotton and artificial silk mixed	5	5	12
Cotton and real silk mixed	10	10	24
Pure silk	16 to 32	16 to 32	40 to 80

Excluding silk lungyis which are very variable the total cost of raw material used in a year is estimated to be 50 lakhs and the total cost of manufacturing them is estimated to be about 75 lakhs.

(iv) As remarked in the reply (ii) the only class of cloth woven by handloom weavers in Burma which is comparable to some extent with Indian mill made of foreign imported cloths is the cloth made for lungyis. Even this comparison won't be much of a guide to ascertain the extent of competi-

tion because the qualities of the imported and local made articles differ very much.

Kind.	1929. Rs. A. P.	1930. Rs. A. P.	1931. Rs. A. P.	1932. Rs. A. P.
	(a) Fine quality.			
Burmese (hand made)	2 12 0	2 8 0	2 4 0	2 1 7
Indian (do.)	2 8 0	2 2 0	1 15 0	1 12 0
Indian mill	1 8 0	1 5 7	1 4 0	1 4 0
Japan	1 0 0	0 13 7	0 12 0	0 13 7
Holland	2 0 8	1 14 8	1 12 0	1 14 8
England	2 0 0	1 13 7	1 12 10	1 13 7
	(b) Coarse quality.			
Burmese (hand made)	1 4 0	1 0 0	0 12 0	0 10 5
Indian (do.)	1 4 0	1 2 0	0 14 0	0 12 0
Indian mill	0 13 4	0 10 0	0 9 4	0 9 4
Japan	1 0 0	0 14 0	0 11 0	0 12 0
Holland	1 4 0	1 0 8	0 14 8	1 0 8
England	1 11 2	1 8 10	1 6 5	1 8 10

The above prices are per lungyi (2 yards by 44″ or 4 yards by 22″).

(v) The kinds of yarn used by weavers in Burma are:—

(*a*) *The Indian (mill made).*—This is all single yarn, the bulk of which is up to 20s, some from 21s to 30s and a little above 30s.

(*b*) *Foreign.*—This is imported in all varieties, single yarn grey, bleached and coloured up to 50s and over, and twisted and mercerised yarn of 2/42s, 2/64s and 2/84s.

(*c*) Very little hand spun yarn is produced or used.

The nett imports of Indian (mill made) and foreign yarn into the province.—Approximate proportion in which the different varieties are imported and their present prices are given below in Tables II, III and IV:—

TABLE II.—*Showing the nett imports of cotton yarns of Indian (mill) and foreign manufacture imported into Burma during the five years ending 1930-31 and the proportion of each to the total imports.*

Year.	Import from India. Lbs.	Proportion of total import.	Import from foreign countries. Lbs.	Proportion of total import.	Total nett import.
1926-27	151,51.505	84·36	28,09,244	15·64	179,60,749
1927-28	157,20.126	86·98	23,53,671	13·02	180,73,797
1928-29	97,25,926	85·18	16,90,736	14·82	114,16,662
1929-30	128,82,065	87·78	17,94,296	12·22	146,76,361
1930-31	121,59,129	89·24	14,66,735	10·76	136,25,864

NOTE.—In addition to the above imports of yarns into the province—

(1) a little yarn is produced in the province itself at the spinning mill at Myingyan which is estimated at about 1,500,000 lbs., while

(2) some is exported to China by overland route which is estimated approximately at 4,500,000 lbs. Whatever quantity remains after allowing for (1) and (2) is exhausted by handloom weavers and will give an idea of the extent to which the handloom industry of the province is engaged in cotton manufacture.

TABLE III.—*Showing the approximate proportions of the different varieties of Indian and foreign yarns imported into Burma during five years ending 1930-31.*

Kinds of counts.	1926-27.	1927-28.	1928 29.	1929-30.	1930 31.
(1) Indian (mill)—					
1-2 (grey)	77·43	76·93	71·30	73·34	74·25
2-30s	14·16	18·24	24·20	22·21	18·80
Above 30s (grey), coloured and unspecified description	8·41	4·83	4·50	4·45	6·95
(2) Foreign—					
1-20s (grey and coloured) .	14·91	29·42	16·82	17·00	14·42
21s-30s (grey and coloured)	16·73	15·16	18·04	17·00	18·12
Above 30s (grey, bleached and coloured and unspecified description) . .	30·72	24·78	22·11	16·82	16·68
Twisted (grey, bleached, coloured and mercerised)	37·65	30·64	43·03	49·18	50·78

NOTE.—The proportions should be taken as approximate because:—

(1) proportions in foreign yarns are obtained from direct imports into the province and do not include figures of re-export and imports by coastal routes,

(2) proportions in Indian yarns are obtained from import figures and do not include figures of re-export. Figures of re-exports in (1) and (2) and of imports by coastal routes in (1) could not be included because the different kinds of yarn are not recorded separately in the sea-borne trade statement.

The table will however give a fair idea of the proportions of imports of different varieties of yarns.

TABLE IV.—*Showing the prices of different varieties of cotton yarn.*

Count.	Make.	Price in January, 1932.	Price on 25th May, 1932.	Per bundle of	REMARKS.
		Rs. A.	Rs. A.	lbs.	
6½s	Indian .	3 12	3 4	10	Prices of yarns of similar counts of foreign manufacture could not be ascertained.
10½s	Do. .	4 4	3 12	10	
20½s	Do. .	5 8	5 0	10	
24½s	Do. .	5 12	5 4	10	
26s	Do. .	5 12	5 8	10	
30s	Do. .	4 4	3 12	5	
40s	Do. .	4 12	4 8	5	

TABLE IV—*contd.*

Count.	Make.	Price in January, 1932.	Price on 25th May, 1932.	Per bundle of	REMARKS.
		Rs. A.	Rs. A.	lbs.	
2/42s, grey	Japanese	9 0	8 2	10	Prices of yarns of similar counts of English manufacture could not be ascertained.
2/42s, bleached.	Do.	9 12	8 12	10	
2/64s, mercerised.	Do.	8 12	6 14	5	
2/84s, mercerised.	Do.	11 4	10 8	5	
2/60s, bleached.	English	14 12	14 0	10	

(vi) Though hand spinning is still done in a few places the total production is very little and is not worth taking into consideration.

(vii) Considering the small proportion of foreign yarns used by handloom weavers of this province as compared with the Indian mill made yarn which will remain free of duty, a small import duty on foreign yarn will not seriously affect the handloom industry; at the same time it will be a further burden upon the handloom weaver who uses foreign yarn. Owing to the import of cheap Indian mill made and foreign cloth the handloom weaver is already badly hit and economically is in a depressed condition. The import duty however small will be felt by him and is prejudicial to his interests as owing to competition and changing customs as to dress he is not likely to get any higher price for his product to compensate him for the duty he will have to pay on its raw materials and which duty will bring him no indirect benefits as it all goes to the Central Government.

In connection with the protective duty it is of interest to consider that as far as the imports of yarns in this province are concerned, the bulk of Indian yarns imported is of coarse varieties whereas the bulk of foreign yarns imported consists of yarns of finer counts, twisted and mercerised yarns and coloured yarns, which the Indian mills do not produce or market. Even in India the imports of coarser counts from foreign countries is small as compared with the imports of finer counts and twisted, mercerised and coloured yarns (*vide* Table VI of Tariff Board Report, page 35). The production of Indian mills is mostly limited to coarse yarns and they do not, at present at least, either manufacture or market the kinds of yarns imported from foreign countries. The import duty on these kinds of yarns besides being a burden on the handloom weaver, does not give real protection to the Indian mill industry. If duty is placed on foreign yarn it should be only upon varieties which the Indian mills produce or market. If the imposition of duty is intended to encourage Indian mills to produce finer varieties of yarns the question of subsidy should be considered.

The chief cause of depression in the handloom industry in this province is the import of cheap cloths, especially from Japan. Burmese custom is changing into line with these imports and this is probably the same in the case of the handloom and mill industry in India. Protective duty on cloth will therefore be beneficial and preferable to the handloom weavers and it should be so in case of the Indian mill industry also which it is intended to protect.

In connection with the above the following tables are interesting:—

(1) *Showing the comparison of the total quantity of yarn with the quantity of yarn of finer counts produced by Indian mills.*

Year.	Production of yarn in India.	Nos. 31s to 40s (million lbs.)	Above 40s.	Total.
1928-29 . . .	648	37	10	47
1929-30 . . .	833	46	15	61
1930-31 . . .	867	60	27	87
April to Dec., 1931	716	52	25	77

(2) *Showing the comparison of total imports of yarn with the imports of yarn of finer counts in India.*

Year	Imports of yarn in India.	Nos. 31s to 40s (million lbs.)	Above 40s.	Total.
1928-29	43	19	9	28
1929-30	43	20	9	[illegible]9
1930-31	29	14	4	18
April to Dec., 1931 .	23	11	3	14

The tables are taken from the *Indian Textile Journal* of May, 1932. The figures in columns 3, 4 and 5 of the second table given above are of finer counts (excluding twisted, mercerised and coloured yarns) which the Indian mills do not produce or market. When these are taken into consideration the proportion, of foreign imports in yarns against which the Indian mills scarcely complete, will be much increased which confirms my remarks that the import duty on yarns of finer counts, twisted, mercerised and coloured yarn and artificial silk yarn which the Indian mills do not produce or market besides being burden on the handloom weavers, benefits the mill industry very little.

The article from which the tables are taken is on page 254 of the *Indian Textile Journal* for May, 1932. The views expressed in the article are different to mine but it is because the article favours the protection of the mill industry of India whereas my remarks are in the interests of handloom weavers in general and of this province in particular.

The conclusions of the above are:—

(1) A small protective duty on cotton yarn imports may not much reduce the extent of the handloom industry, but it would be a burden on the handloom weaver who is already depressed and would be prejudicial to his interest and benefit this province nothing at all.

(2) Protective duty on cotton yarn imports of kinds which the Indian mills do not produce or market, does not benefit them and is an unnecessary burden on the handloom weaver and the consumer.

(3) Protective duty on cotton cloth imports is beneficial to the handloom weaver and is likely to be of use to the Indian mill industry also. But the relief it will give to the handloom weaver will be according to the varieties he produces. For the rest the duty will be a burden on the general consumer.

(4) Excepting (*a*) the spinning mill at Myingyan (a European concern) which may benefit a little by the protective duty on yarn and (*b*) the handloom industry which may get some relief in the lungyi varieties by the protective duty on the cotton cloth, this province, unlike other Indian provinces, has no interest in the industry which it is sought to protect. Excepting the little benefit which the above two (*a*) and (*b*) will receive by the protective duties on yarn and cloth, the burden of the duties will fall on the people without any compensation to the province as the resultant revenue does not return for their indirect benefit. The case of Burma therefore deserves special consideration and this province should not be included in legislation carried out in the interests of India.

Government of Bengal.

Letter No. 389-T.—A.—1., dated the 23rd September, 1932.

I am directed to refer to your letters (1) No. 170, dated the 22nd April, 1932, and (2) No. 194, dated the 9th May, 1932, asking for the views of this Government on the points mentioned in para. 2 of the Press Communiqué of the 11th April, 1932, issued by the Tariff Board as well as on any other matter relating to the enquiry which, in their opinion, should require the consideration of the Board. Detailed information is also asked for regarding the position of the handloom weaving industry in this province; and the effect on that industry, if any, of the import duties introduced by the Indian Tariff Cotton Yarn Amendment Act, 1927, and the Cotton Textile Industry (Protection) Act, 1930, as well as of the existing import duties on artificial silk yarn and piecegoods.

2. In reply, I am to say that the Government of Bengal (Ministry of Industries) regret that they are not in a position to offer any useful observations on the points relating to the question of continuance of protection to the Indian Cotton Textile Industry referred to in para. 2 of the Tariff Board's Press Communiqué.

3. As regards the detailed information asked for on the several points enumerated in para. 2 of your letter of 22nd April, 1932, and in that of 9th May, 1932, I am to furnish the same, as far as practicable, *seriatim*, as below:—

(i) *Extent of the industry—number of weavers and of handlooms—approximate estimate of maximum and present production.*—The handloom industry in Bengal is practised mostly by the illiterate weaving castes as a whole-time or part-time occupation with agriculture, depending upon a variety of circumstances. The weavers themselves are not really in the position of independent workers. In almost all cases they are employed, on payment either in kind or in money of a weaving charge varying from one anna to two and a half annas per yard, by middlemen mahajans who dictate the kinds of woven materials to be produced, supply the necessary yarn for the purpose and take the finished product. In the circumstances explained above production not being continuous it is not possible to furnish a reliable estimate of maximum and present production per loom per annum. No up-to-date statistical information relating to the number of weavers employed and of handlooms is available on which an estimate of the extent of the industry could be based. In the Census of 1921 over five lakhs of persons were returned as prosecuting the handloom industry in this presidency in some or other whilst the number of handlooms working was 213,866. It is understood that no such particulars were obtained in the last census operations. In view, however, of the impetus given to the handloom weaving industry in recent years and of the experience of the provincial Department of Industries which has made considerable efforts during the past decade towards the introduction of improved and up-to-date methods of weaving the Government of Bengal (Ministry of Industries) are inclined to the view that the extent of the industry has not decreased in Bengal.

(ii) *Principal classes of cloth woven and the extent to which they compete in the market with mill product and with imported piecegoods.*—The principal classes of cloth woven are what is known as plain woven unbleached as well as coloured cloth, such as plain dhutis, saris, shirtings, coatings, gamchhas, chadars, lungis and mosquito curtains. In addition, at certain places which have a traditional reputation for the finer and higher quality articles, *viz.*, Dacca, Tangail in Mymensingh and Santipur in Nadia, the production of fine goods of high quality using yarns of 100s count and over with decorative and ornamental borders and other effects, is still followed. The weavers in such localities have almost completely abandoned the use of imported yarns in favour of fine yarns of Indian Cotton Mill

origin. It is the experience of the provincial Industries Department that the people of Bengal still retain a preferential taste for handloom products more particularly for the purposes of clothing on ceremonial and festive occasions. The adaptability of the handloom industry to vary particular details of its products is a factor which not only tends to keep such products distinct from the mass production articles of the weaving mills or imported piecegoods but also helps them to evade the continual encroachment and competition arising from the products of the Indian mills. It is probable that the extent of this competition will continually expand and it is believed that the popularity of mill products with the majority of the consumers is growing, inasmuch as the prices of the mill made goods generally work out to be cheaper than hand-woven products.

(iii) *Approximate cost of manufacture of typical classes of cloth.*—A statement showing the cost of production of typical classes of cloth on handloom in Bengal is enclosed.

(iv) *Prices realised from principal classes of cloth in 1929, 1930 and 1931 and current prices: prices of comparable classes of mill made and imported cloth at each period.*—Two statements showing (1) the selling price of cloth produced from handlooms during 1929-32, (2) prices of comparable classes of cotton piecegoods taken from the Bombay market, are enclosed.

(v) *Kinds of yarn used Indian or Foreign—mill made or hand spun counts of yarn: approximate proportion in which each is used: prices of different kinds of yarn.*—It is generally believed that practically the whole of the yarn used by the handloom weavers is now of Indian mill origin and it is estimated that 80 per cent. of this yarn is of 12s to 32s counts and the remaining 20 per cent. is of 40s counts and upwards. Two statements showing (1) the prices of yarns produced by the premier cotton mill in Bengal, viz., Bangalakshmi Cotton Mills, and (2) the price of Japanese and other imported cotton yarns during 1929-32 are enclosed.

(vi) *Approximate estimate of the quantity of hand spun yarn produced in the province.*—It has not been possible to obtain any reliable statistics of hand spun yarn production, but it is roughly estimated that about 180,000 lbs. of hand spun yarn are being produced in the province annually.

(vii) *Extent to which protective duty on (a) yarn and (b) piecegoods will affect the handloom industry.*—It is difficult to furnish any reliable information on this point but in the opinion of the expert officers of the provincial Department of Industries the handloom industry has not benefited from the protective duties on cotton piecegoods nor has it suffered materially from the protective duties on cotton yarn. The Director of Industries is also of opinion that the further expansion of the textile mill industry will more and more take place at the expense of the handloom weaving industry with the result that the handloom workers will be slowly driven to a position where they can only supply a local or traditional market for special fabrics for artistic and conventional use or their own domestic requirements.

(viii) *Effect on the handloom weaving industry, if any, of the existing import duty on artificial silk yarn and piecegoods.*—In Bengal artificial silk yarn is not used by handloom weavers. At one time such yarn was used to a very slight extent for the ornamentation of the borders of saris but during the last year or so its use has been given up in favour of natural mooga silk owing to the pressure of the Swadeshi movement. The handloom industry (other than the handloom silk weaving industry) in Bengal therefore has not been affected by the existing import duty on artificial silk yarn. The natural silk handloom industry which is passing through difficulties mainly due to causes such as the inferiority of the silk breeding strains and bad methods of reeling would be in a worse position if the market were flooded with cheap artificial silk goods. The existing duties on artificial silk yarn and piecegoods, particularly the higher rates of duty which have been in force since September, 1931, have presumably, therefore, been beneficial to the handloom silk weaving industry in Bengal.

STATEMENT B.

[Referred to in para. 3 (iii) of the letter.]

(a) *Statement showing the cost of production of typical classes of cloth on handlooms in Bengal.*

Name.	Weaving charge. Rs. A. P.		Dimension.	Reed.	Pick.	Counts.
1. Dhuti, khadi .	0 2 0	per yard	8 yds. × 43″	36	30	16s.
2. Dhuti, khadi .	0 2 0	,,	8 yds. × 43″	32	28	8s.
3. Plain shirting .	0 2 6	,,	36″ × 12 yds.	44	40	26s × 30s.
4. Coating . .	0 2 6	,,	36″ × 12 yds.	36	36	16s × 20s.
5. Dhuti . .	1 8 0	per pair	44″ × 10 yds.	48	48	26s × 32s.
6. Sari . .	1 12 0	,,	44″ × 10 yds.	48	48	28s × 32s.
7. Gamchha . .	0 1 6	per piece	27″ × 2 yds.	40	32	24s × 32s.
8. Chadars . .	0 6 0	,,	3 yds. × 54″	48	44	40s × 50s.
9. Lungis (checked)	0 2 6	per yard	2¼ yds. × 44″	44	40	40s × 40s.
10. Mosquito curtains	0 1 0	,,	20 yds. × 36″	36	40	32s × 40s.
11. Fine dhuti .	2 0 0	per piece	5 yds. × 45″	100	90	90s × 100s.
12. Fine saris .	2 8 0	,,	5¼ yds. × 45″	100	90	90s × 100s.

[Referred to in para. 3 (v) of the letter.]

(b) *Statement showing the price of Indian mill made yarn during 1929-32 as given by the Bengal Luxmi Cotton Mills.*

	1929. Rs. A.	1930. Rs. A.	1931. Rs. A.	1932. Rs. A.	
16s .	3 5	2 9	2 1	2 1	Per bundle of 5 lbs.
20s .	3 9	2 13	2 5	2 5	Per bundle of 5 lbs.
24s .	3 13	3 1	2 9	2 9	Per bundle of 5 lbs.
26s .	4 0	3 3	2 11	2 11	Per bundle of 5 lbs.
32s .	4 6	3 9	3 3	3 3	Per bundle of 5 lbs.

[Referred to in para. 3 (v) of the letter.]

(c) *Statement showing the price of Japanese and other imported cotton yarns during 1929-32 taken from the Calcutta retail market.*

	1929. Rs. A.	1930. Rs. A.	1931. Rs. A.	1932. Rs. A. P	
20s	5 10	5 9	5 4	5 0 0	Per bundle of 10 lbs.
32s	7 3	6 15	6 10	6 4 0	Per bundle of 10 lbs.
40s	7 12	7 8	7 3	6 6 0	Per bundle of 10 lbs.
50s	15 12	15 4	14 10	13 0 0	Per bundle of 10 lbs.
90s	8 13	8 4	8 0	7 4 3	Per bundle of 10 lbs.
100s	9 11	9 7	9 2	8 6 3	Per bundle of 10 lbs.

[Referred to in para. 3 (iv) of the letter.]

(d) *Statement showing the selling price of cloths produced on handlooms during 1929-32.*

	1929. Rs. A. P.	1930. Rs. A. P.	1931. Rs. A. P.	1932. Rs. A.
1 Khadi dhuti, 8 yds. × 43″ . .	—	—	5 0 0	4 12
2 Khadi dhuti, 8 yds. × 43″ . .	—	—	2 14 0	2 10
3 Plain shirting, 36″ × 12 yds. .	5 10 0	5 7 0	5 4 0	5 4
4 Coating, 36″ × 12 yds. . . .	6 12 0	6 9 0	6 6 0	6 6
5 Dhuti, 44″ × 10 yds. . . .	2 5 6	2 3 6	2 0 0	1 13
6 Sari, 44″ × 10 yds. . . .	2 12 6	2 8 6	2 5 0	2 2
7 Gamchha, 27″ × 2 yds. . . .	0 4 6	0 4 3	0 4 0	0 4
8 Chadars, 3 yds. × 54″ . . .	0 13 0	0 12 0	0 11 6	0 10
9 Lungis (checked), 2¼ yds. × 44″ .	0 11 6	0 10 6	0 9 6	0 8
10 Mosquito curtain, 20 yds. × 36″ .	2 14 0	2 12 0	2 10 0	2 5
11 Fine dhuti, 5 yds. × 45″ . .	3 4 0	3 3 0	3 1 0	2 15
12 Fine sari, 5¼ yds. × 45″ . .	3 10 0	3 8 0	3 5 0	3 1

STATEMENT C.

[Referred to in para. 3 (iv) of the letter.]

Cotton piecegoods—Market quotations (per lb.), Bombay.

1930.	January. As.	p.	February. As.	p.	March. As.	p.	April. As.	p.	May. As.	p.	June. As.	p.
Longcloths, 37″×37½ yds. of 9 lbs.	14	0	13	3	13	3	13	3	13	6	13	6
Domestics, 24″×48 yds. of 10 lbs.	14	0	13	3	13	0	12	9	13	0	13	0
Chadars, 50″×6 yds. of 2¼ lbs.	13	9	13	3	12	9	12	9	13	0	13	0
Dhutis (up to ½″ nakhi border), 32″×9 yds. of 1¾ lbs.	14	3	14	0	14	0	13	9	13	9	13	9
Khadi, 28″×24 yds. of 7½ lbs.	10	3	9	9	9	3	9	3	9	9	9	9
1931.												
Longcloths, 37″×37½ yds. of 9 lbs.	11	3	11	3	11	9	11	9	11	6	11	3
Domestics, 24″×48 yds. of 10 lbs.	11	9	11	9	12	0	11	6	11	6	11	6
Chadars, 50″×6 yds. of 2¼ lbs.	11	0	11	3	11	3	11	3	11	3	11	0
Dhutis (up to ½″ nakhi border), 32″×9 yds. of 1¾ lbs.	12	0	12	0	12	0	12	0	11	9	11	9
Khadi, 28″×24 yds. of 7½ lbs.	8	0	Not quoted.									

1932.	January. As.	p.	February. As.	p.	March. As.	p.	April. As.	p.	May. As.	p.
Longcloths, 37″×37½ yds. of 9 lbs.	10	9	11	9	12	0	11	6	11	0
Domestics, 24″×48 yds. of 10 lbs.	11	3	11	6	12	0	11	0	10	6
Chadars, 50″×6 yds. of 2¼ lbs.	10	9	11	3	11	9	11	3	10	9
Dhutis (up to ½″ nakhi border), 32″×9 yds. of 1¾ lbs.	10	9	11	9	12	0	11	9	11	3
Khadi, 28″×24 yds. of 7½ lbs.	Not quoted.									

H. E. H. The Nizam's Government.

Letter No. 8609, dated the 2nd August, 1932.

With reference to your letter No. 228, dated the 13th June, I have the honour to send replies to your questionnaire so far as they affect the handloom industry in Hyderabad, *i.e.*, replies have been given to the questions in para. 9 of the questionnaire.

ANSWERS TO PARA. 9, PAGE 5 OF THE CIRCULAR OF THE INDIAN TARIFF BOARD.

(i) *Extent of the industry—number of weavers and of handlooms and approximate estimate of maximum and present production.*—According to the latest census, there are 406,881 weavers in Hyderabad, including women and children, who usually carry out the preparatory processes for weaving. A special census was also taken of the number of handlooms and the number recorded was 139,261. A survey of the handloom industry was undertaken during the last year and a good deal of information has been accumulated

and a report will shortly be published. The following is the estimated output of silk and cotton goods on handlooms during the last year:—

	Rs.
(1) Pure silk fabrics	33,10,000
(2) Cotton fabrics	1,71,50,000
(3) Tussore fabrics	1,10,000
(4) Twisted silk fabrics	37,000
(5) Mixed fabrics (cotton and silk)	32,04,000
(6) Hand spun fabrics	2,25,000
	2,40,37,200

The mixed fabrics consist chiefly of cotton with silk borders and ends. The value of cotton goods made by the handloom weavers of Hyderabad may therefore be roughly placed at two crores. This does not include woollen goods. It is estimated that 90 per cent. of the weavers weave cotton and mixed cotton goods.

(ii) *Principal classes of cloth woven and the extent to which they compete in the market with mill products and with imported piecegoods.*—The principal classes of cloth woven in the Dominions on handlooms are as follows:—

(1) Saris: chiefly cotton saris and saris with solid borders.

(2) Cholkhans or bodice cloth.

(3) Coarse dhutis.

(4) Lungis.

(5) Rumals.

(6) Susi cloth (striped and check cloth for women's trousers and underclothes).

(7) Khaddar.

(8) Pagris and turbans.

In addition to this, a considerable amount of silk and mixed silk cloth ornamented with gold and silver are produced. It is estimated that 70 per cent. of the total production consists of saris and cholkhans which are mainly spun with 20s, 24s and 30s. Nearly all this cloth is woven with dyed yarn. Another 15 per cent. consists of coarse dhutis mainly of 18s and 20s. These have coloured borders. Again 10 per cent. consists of lungis and rumals with checks and stripes, mostly woven from 24s and 30s. The remaining 5 per cent. consists of the other classes mentioned above. The classes of goods in which the Indian mills chiefly compete with the handloom industry are coarse cotton saris and coarse dhutis. Foreign competition is felt only in cotton and silk khaddar and comes mainly from the Japanese.

(iii) *Approximate cost of manufacture of typical classes of cloth.*—The earnings of the weavers who worked on cotton goods during the boom period were about As. 8 per day, but the rate has now gone down to As. 5 to As. 6 a day for cotton cloth. Silk weavers earn more.

(*a*) The approximate cost of a pair of dhutis of 20s yarn including weaving and other charges is O. S. Rs. 2-6 while the selling price is O. S. Rs. 3-7 and the middleman's profit is As. 15.

(*b*) The cost price of a piece of coloured check saris with silk ends and cross borders measuring 8 yards by 45″ of 60s yarn including weaving and other charges is Rs. 7-3. The selling price is Rs. 9.

(*c*) The cost price of a coarse sari measuring 7½ yards by 44″ of 20s yarn, including weaving and other charges, is Re. 1-11-6.

(d) An ordinary coarse sari, which 2 or 3 years ago would cost Rs. 2-12, now costs Re. 1-11-6, but this cloth which was formerly sold for Rs. 4 to Rs. 4-8 now sells for Rs. 2-14 to Rs. 3 only.

All these figures are Osmania Sicca rupees of which Rs. 7 equals Rs. 6 British Government very nearly.

(iv) *Prices realised for principal classes of cloth in 1929, 1930 and 1931 and current prices: prices of comparable classes of mill made and imported cloth at each period.*—It is difficult to answer this query in full as figures are not available. A statement is attached showing the rates noted down in Secunderabad Custom House for mill made dhutis, saris, etc., for the year 1340-41 Fasli. Prices of local mill made yarn and cloth vary according to the quality of goods prepared by the mills. A statement is enclosed, which may be treated as confidential, showing the quantity of yarn sold in lbs. and the value realised by four out of the five mills now working in the State. A statement is also attached showing the value of piecegoods and yarn imported for the last seven years, as well as the value of yarn sold by four out of the five local mills. The fifth mill has been shut down for some years and is now only just starting work.

(v) *Kinds of yarn used—Indian or foreign mill made or hand spun: counts of yarn: approximate proportion in which each is used: prices of different kinds of yarn.*—It is estimated that 75 per cent. of the yarn used is Indian yarn. It is practically all mill made and mostly from 10s to 30s. Another 20 per cent. is estimated to be Japanese yarn from 32s to 80s and also mercerised and bleached yarn of 2/32s, 2/42s and 2/84s. Of the Indian yarn, as will be seen from the statement attached, rather more than one-third is now made in local mills.

(vi) *Extent to which protective duties on cotton* (a) *yarn and* (b) *piece-goods will affect the handloom industry.*—Protective duties on piecegoods can only assist the handloom industry. Duties on yarn on the other hand are disastrous for it. If there is a free market in yarn, then the handloom weaver gets his yarn to the best possible advantage and is able to compete on better terms with the mills. The argument adduced in the resolution of the Government of India that, as the amount of yarn imported was small relative to that produced in India, therefore an import duty on yarn could not affect the handloom industry is fallacious. As long as yarn was imported free, the threat of competition from outside compelled the mills to sell their yarn at prices comparable with world prices. As soon as a duty was imposed, they were able to sell their yarn at higher rates, while at the same time, those mills which had weaving departments—and these are the great majority—did not find the yarn more expensive to make and thus obtained a great advantage for their weaving departments. If the course of the prices of yarn is examined before and after the imposition of the duty on yarn, it will be found that this view is strongly supported. This is the attitude taken by the Tariff Board itself in its last report and events have amply justified its arguments. If yarn were imported free, the Indian mills would not only be compelled to lower their prices but would also have to produce better yarn. At the present time in Hyderabad, Japanese yarn is purchased by the weavers at a relatively higher rate for the same counts on account of its superior strength. The difference in price between Indian and Japanese yarn is As. 1-6 to As. 2 per pound and yet a considerable quantity of this yarn is purchased in preference to Indian yarn. The weaver as a rule cannot afford to purchase this yarn except for special kinds of cloth and has to use the inferior yarn produced by Indian mills, who not only charge him too high a price but as a rule sell the weaker yarn which they produce to the handloom weavers who are thus greatly handicapped. Those mills which specialise in really good yarn, such as the Empress Mills, Nagpur, have a great reputation among handloom weavers over a wide area and their yarn is purchased to the exclusion of all others, so far as it is available. If a further import duty is imposed on yarn, it is bound to lead to a decline in the handloom industry, which is the most important industry in Hyderabad State and one of the most important in the whole of India. It appears to be in the truest interests of the country

not only not to impose a further duty on yarn but to abolish that which was put on in 1927.

(vii) *Effects, if any, on the handloom weaving industry of the existing import duties on artificial silk yarn and piecegoods.*—There is no information in Hyderabad as to the result of these duties. In point of fact, artificial silk is not much used in the State.

Statement showing the value of piecegoods and yarn imported from 1334 F. to 1340 F.

Name of year (Fasli).	Value of piecegoods in rupees.	Value of yarn in rupees.
1334	3,58,19,780	1,58,49,680
1335	2,92,39,040	1,33,94,460
1336	2,45,57,040	92,83,540
1337	2,94,24,700	89,63,860
1338	3,49,52,340	98,75,800
1339	3,29,19,300	90,78,340
1340	1,64,08,500	63,05,040

Statement showing the value of the yarn imported and the value of yarn sold by the local mills.

Name of year (Fasli).	Value of yarn imported.	Value of yarn sold by the local mills.	Total yarn.
	Rs.	Rs.	Rs.
1334	1,58,49,680	17,13,463	1,75,63,143
1335	1,33,94,460	18,26,934	1,52,21,394
1336	92,83,540	23,14,476	1,15,98,016
1337	89,63,860	36,97,635	1,26,61,495
1338	98,75,800	33,39,639	1,32,15,439
1339	90,78,340	22,14,161	1,12,92,501
1340	63,05,040	25,77,539	88,82,579

Rates noted down in Secunderabad Custom House of Dhuti, Sari, etc., for 1340-1341 Fasli.

Dhutis—

Ahmedabad, bleached, 5 to 7 yds., Re. 1-10 to Rs. 2-11.

Bezwada, bleached, 7 to 9 yds., Rs. 2-4 to Rs. 3-4.

Sholapore, bleached, 5 to 7 yds., Re. 1-10 to Rs. 2-4.

Vishnu Mill, 7 to 9 yds., Rs. 2-4 to Rs. 3-4.

Saris—

Bezwada, 6 to 7 yds., Rs. 2 to Rs. 2-11.

Madras, 7 to 9 yds., Rs. 3-0-6 to Rs. 3-13-6.

Ahmedabad, 6 to 9 yds., Rs. 2-1 to Rs. 4-2.

Sholapore, 5 to 7 yds., Re. 1-3 to Rs. 2.

Ahmedabad, coloured, 9 yds., Rs. 4-4 to Rs. 5-0-6.

Khadi—

Sholapore, 12 to 24 yds., Rs. 2-4 to Rs. 8 per piece.

Sassoon Mill, Bombay, 24 yds., Rs. 4 to Rs. 7-6 per piece.

Sholapore, Rouch Khadi, 10 to 12 yds., Re. 1-9 to Re. 1-15-9 per piece.

Sholapore, Rouch Khadi, As. 6-9 to As. 8-9 per lb.

Bangalore, 24 yds., Rs. 4-4 to Rs. 9-12 per piece.

Silk Khadi, Belgaum, As. 5 to Re. 1-2 per yard.

Japan, As. 6.

Nagpur, 18 yds., Rs. 12 to Rs. 18 per piece.

Bangalore, As. 14 to Re. 1-2 per yard.

Surath, Re. 1-6 to Rs. 2-8 per yard.

Cotton yarn—

No. 12, Rs. 2-14 to Rs. 4-4 per case of 10 lb. of different mills.

No. 20, Rs. 4-4 to Rs. 5-1 per case of 10 lb. of different mills.

No. 40, Rs. 7-2 per case of 10 lb. of different mills

No. 40 yarn, coloured, As. 14 to Re. 1-1 per pound.

No. 60, Rs. 10 to Rs. 12 per 10 lb. case

No. 64, Rs. 12-6 to Rs. 18 per 10 lb. case.

No. 2/84, Rs. 19 to Rs. 23 per 10 lb. case.

No. 2/28, As. 14 to As. 15 per pound.

N.B.—A few rates for guidance are shown above and for other qualities difference of two annas for each number is individually found, *viz.*, No. 12 is Rs. 4-4, No. 10 will cost Rs. 4 B. G.

I regret delay of one day due to pressure of work.

Letter No. 176, dated the 25th April, 1932, to all Collectors of Customs.

In connection with the Tariff Board's enquiry regarding the continuance of protection for the Indian Cotton Textile Industry, there are several points raised in Mr. G. S. Hardy's report of 1929 (Report on the Import Tariff on Cotton Piecegoods and on External Competition in the Cotton Piecegoods Trade) upon which any information which you may be able to supply will materially assist the Board in estimating the present position of the industry.

2. In the first place, I am to enquire whether any statistics of the nature of the "Special Record" mentioned in para. 2 of Mr. Hardy's report have been compiled since August, 1929, or whether you can refer me to any more recent information regarding the details shown by that special return, *i.e.*, the length and width of each piece of cloth included in consignments under various trade headings, its weight and the number of warp and weft threads per quarter inch. The Board's present enquiry into the conditions of the cotton industry and the nature and extent of the competition to which it is exposed must to a great extent take the same course as Mr. Hardy's; and it is just as important for the Board as it was for Mr. Hardy to obtain all possible information which may serve to supply the deficiencies in the published statistics. Thus it would be useful to the Board to know whether imports of dhutis are still recorded in Calcutta under the separate heads of Shirting, Jaconet and mill dhutis (see pages 47 and 48 of Mr. Hardy's report) and whether a similar record is maintained in other Custom Houses, and (if the record has been kept) to see the figures for the years 1929-30, 1930-31 and 1931-32. Similarly the Board would be glad to see any statistics from which the "apparent counts" of imports of Japanese longcloth and shirtings can be calculated (see pages 49 to 51 of Mr. Hardy's report). And with regard to coloured goods, any statistics which would make possible the preparation of a comparative table similar to that given on page 65 of Mr. Hardy's report would be most valuable. I am also to ask whether in your opinion the conclusions suggested by Mr. Hardy in Chapter IV of his report require revision in the light of more recent experience and, if so, in what respects.

3. In the second place, I am to enquire whether since the publication of Mr. Hardy's report there has been any change in the statistical classification of (*a*) Indian manufactures, (*b*) imports, (*c*) exports, (*d*) re-exports of cotton yarn or piecegoods. This question is raised with special reference (*a*) to the change of classification of "white yarn" dhutis which Mr. Hardy on page 46 of his report mentions as having been made in August, 1927, (*b*) to the suggestions in para. 87 of the Tariff Board's report of 1927 that in the statistics of production published by the Commercial Intelligence Department, bleached goods should be shown separately from grey goods, and the

figures for coloured goods should be recorded at least under the seven heads under which they are given in the returns made by the mills, and (c) to the suggestions made by Mr. Hardy with reference to the statistics of yarn (page 38) and to the classification of sheetings and shirtings (page 55).

4. Finally, I am to refer to a matter which is only indirectly connected with Mr. Hardy's report. In the course of the debates on the Cotton Textile Industry (Protection) Bill in March, 1930, Sir George Rainy who was in charge of the Bill gave an undertaking that during the following year a continuous record of the prices of piecegoods would be maintained and that after the protective duties had been in operation for a year an officer would be put on special duty to examine the effect of the duties upon the prices of cotton piecegoods. If you have maintained such a record and could let the Tariff Board see it, it would afford them most valuable information; and the Board would also like to know whether the special officer was appointed and whether his report has been published.

5. I am to add that the Board would be glad to have your reply to this letter with six spare copies as early as convenient and in any case not later than June 15th.

Collector of Customs, Calcutta.

Letter No. 72, dated the 5th May, 1932.

I have the honour to refer to your letter No. 176, dated the 25th April, 1932.

2. No statistics of the nature of the "Special Record" mentioned in para. 2 of my report have been compiled here since August, 1929, nor could similar figures now be furnished. I can probably obtain fairly complete particulars relating to any particular style of cloth you may care to specify but they will be confined to attributes of the cloth, and will not provide any statistical information other than what is to be found in the published trade returns. An exception is in the case of grey dhutis, and I attach a statement in which imports of grey dhutis are classified into "Mull", "Jaconet" and "Shirting" for the past three years. The information on pages 49-51 and 65 of my report was compiled from the special record and similar information is not now available.

3. I am not quite sure what sort of reply the Tariff Board expects to its enquiry whether "the conclusions suggested by Mr. Hardy in Chapter IV of his report require revision". Chapter IV of my report comprised a survey of the greater part of the problem which now faces the Tariff Board and I reached conclusions only after several months' intensive study of the position as it then existed. It would be quite impossible for me to form conclusions on the position as it exists to-day without devoting a similar period to a study of the problem.

4. No change has been made at this Custom House in the manner in which goods are assigned to the various heads specified in the returns published by the Department of Commercial Intelligence. The Director-General of that Department will be in a position to say what progress has been made in the consideration of the suggestions I made for a revision of the classification.

5. The only record maintained in pursuance of the undertaking which you quote in para. 4 of your letter is in the nature of a weekly return sent to the Director-General of Commercial Intelligence who will no doubt supply the Tariff Board with the information he has compiled therefrom. I am not aware of the appointment of a special officer but I suggest that enquiries should be made from the Government of India who are in the best position to say whether the undertaking was carried out.

Enclosure.

Importations of grey dhuties.	1929-30. Quantity.	1929-30. Value.	1930-31. Quantity.	1930-31. Value.	1931-32. Quantity.	1931-32. Value.
	Yds.	Rs.	Yds.	Rs.	Yds.	Rs.
White yarn.						
From United Kingdom	77,358,066	1,80,44,571	24,751,889	48,62,503	10,460,867	17,72,619
„ Japan	..	..	..	..	..	..
„ Other countries	..	..	..	..	..	..
Total	77,358,066	1,80,44,571	24,751,889	48,62,503	10,460,867	17,72,619
Grey mull.						
From United Kingdom	24,549,244	56,02,286	4,605,736	9,05,057	298,393	48,649
„ Japan	3,887,240	7,76,059	2,643,630	4,90,325	..	..
„ Other countries	..	..	..	..	..	..
Total	28,436,484	63,78,345	7,249,366	13,95,382	298,393	48,649
Shirtings.						
From United Kingdom	81,143,023	1,58,52,210	19,991,271	34,15,758	3,870,273	7,41,213
„ Japan	46,142,326	98,34,043	48,745,676	72,41,522	52,190,156	67,07,458
„ Other countries	..	..	..	..	..	..
Total	127,285,349	2,56,86,253	68,736,947	1,06,57,275	56,060,429	74,48,671
Jaconet Dhuties.						
From United Kingdom	225,593,722	5,17,27,727	56,645,412	1,15,27,526	12,127,664	21,49,381
„ Japan	1,547,890	3,37,006	396,000	62,826	162,600	23,917
„ Other countries	..	..	..	..	..	..
Total	227,141,612	5,20,64,733	57,041,412	1,15,89,852	12,290,264	21,73,298

Collector of Customs, Madras.

Letter R. O. R. No. 774/32-St., dated the 23rd May, 1932.

I have the honour to enclose a statement containing the particulars required for the preparation of a comparative table similar to that given at page 65 of Mr. Hardy's report. The statistics in the nature of the "Special Record" and the other information called for in para. 2 of your letter No. 176, dated the 25th April, 1932, are not available in this office. The information furnished to Mr. Hardy for August, 1929, was prepared after circularising the importers specially for the purpose.

2. There has been no change in statistical classification under cotton yarn or piecegoods since the publication of Mr. Hardy's report. White yarn dhutis however are being classified and shown under "Grey" at this port also as pointed out by Mr. Hardy in his report.

3. I enclose copies of the weekly record of market values of cotton piecegoods maintained by this office from December, 1930, up to date. Copies of the lists previous to this period have not been kept. A consolidated statement was however sent to the Director-General of Commercial Intelligence and Statistics in November, 1930. So far as I know no special officer was appointed to examine the effect of the enhanced duties upon the pieces of cotton piecegoods.

4. As regards your enquiry in the last sentence of para. 2 of your letter I have the following remarks to offer. Mr. Hardy's report was published in 1929 when the rate of duty on cotton piecegoods stood at 11 per cent. as in previous years and when the United Kingdom was gradually recovering from the set-back to its exports caused by the war. The imports during 1929-30 showed an increase of British as well as Japanese products as compared with the previous year. On 1st March, 1930, the duty was raised to 15 per cent. or 3½ annas per lb. and an additional 5 per cent. was levied on non-British goods. Japan was not affected by this increase at least for the time being, and the statistics for 1930-31 showed an increase in imports (from that country) of Grey and coloured piecegoods (Japan does not compete in white piecegoods). The imports from United Kingdom on the other hand were seriously affected by the rise in duty, the reduction being about 35 per cent. in white, 45 per cent. in coloured and more than 50 per cent. in Grey piecegoods. The effects of the further increases in duty in April and the levy of the surcharge of 25 per cent. in September, 1931, accelerated the fall in imports from United Kingdom. Japan which was not affected by the change of duty in March, 1930, probably on account of its cheap labour, also experienced a serious set-back as its selling capacity in the face of the new duties had decreased considerably. The increase in the rates of duty is therefore one of the important changes which took place after the publication of Mr. Hardy's report. The world-wide economic depression, the recent fluctuations in exchange and the political developments in India are additional features to be reckoned with in estimating the effect of the new duties on the import of cotton piecegoods.

5. There is no doubt that the increase in the rates of duty has afforded very great protection to the Indian industry. As far as Manchester goods are concerned they do not compete to any great extent with the Indian Mill goods since most of the importations are of finer materials which are not as yet being manufactured in India. Japan, on the other hand, is a keen competitor with the Indian mills in coarser cloth. When the duties were raised she reduced her prices and at present there seems to be an attempt to flood the Indian market with Japanese goods at astonishingly low rates. It is believed that Japan's capacity to under-sell the Indian mills is due to her recent departure from a Gold standard; it is alleged that her mills are subsidised by Government. In the circumstances the opinion gains ground that protective duties must be continued and indeed that a much heavier duty should be imposed on the coarser cloths which are made by the Indian mills.

Enclosure No. 1.

Imports of foreign coloured goods into Madras Presidency for the years 1929-30, 1930-31 and 1931-32 in yards.

Heading in the Import Returns.	1929-30. Yds.	1930-31. Yds.	1931-32. Yds.
Chadars, printed, dyed and woven	...	...	...
Lungis and dhutis, printed	...	...	987
Lungis, dhutis and sarangs, woven	...	6,088	5,980
Lungis and sarangs, printed and woven	...	...	...
Drills and jeans, printed	907,196	252,512	14,829
Drills and jeans, woven	...	428	...
Shirtings, dyed	1,168,838	814,904	895,566
Checks, spots and striped, dyed	370,884	436,011	281,216
Saris and scarves, dyed	3,064,978	2,160,207	333,228
Twills, dyed	222,761	205,426	212,713
Drills and jeans, dyed	440,067	935,589	371,453
Saris and scarves, printed	414,301	57,405	3,845
Saris and scarves, woven	12,591	86,782	27,951
Checks, spots and striped, printed	177,689	64,286	47,263
Checks, spots and striped, woven	20,364	32,028	10,260
Twills, printed	23,254	11,494	...
Twills, woven	...	...	...
Shirtings, printed	283,555	124,273	...
Shirtings, woven	1,939	14,518	7,130
Coatings and trouserings	2,810	83	333
Flannel and flannelettes, printed	163	...	...
Flannel and flannelettes, woven	...	9,400	...
Flannel and flannelettes, dyed	124,400	23,820	10
Unspecified, printed	13,813	35,442	7,323
Unspecified, dyed	1,631,481	927,610	816,442
Unspecified, woven	16,513	5,927	3,538
Cambrics, etc., printed	509,140	57,257	349
Cambrics, etc., dyed	2,049,378	1,977,542	1,633,947
Cambrics, etc., woven	160	61,231	12,000
Prints and chintz, printed and woven	2,556,237	785,529	58,672
Prints and chintz, dyed	3,919,630	1,752,757	1,132,768
Sateens, printed	621	1,229	...
Sateens and Italians, dyed	498,954	357,992	133,369
Velvet and velveteens	1,495	8,493	3,345

Enclosure No. 2.

Weekly statement of prices of specified lines of Cotton Piecegoods

Description.	Week ending 6th Dec., 1930. Rs. A. P.	20th Dec., 1930. Rs. A. P.	10th Jan., 1931. Rs. A. P.	24th Jan., 1931. Rs. A. P.	7th Feb., 1931. Rs. A. P.	14th Feb., 1931. Rs. A. P.	11th April, 1931. Rs. A. P.	18th April, 1931. Rs. A. P.	25th April 1931. Rs. A. P.	2nd May, 1931. Rs. A. P.
BRITISH.										
Grey—										
Mulls: Ticket Mongoose, 22 × 22 lbs., 3-9 ozs., 51" × 20 yds.	6 6 0	6 2 0	6 0 0	5 13 0	5 13 0	6 2 0	7 4 0	6 12 0	6 12 0	6 6 0
(Plain) Ditto, average	5 6 0	5 4 0	5 4 0	4 14 0	5 4 0	5 4 0	6 4 0	..	..	..
Amazon and Lion, 22 × 22 lbs., 3-6 ozs., 50" × 20 yds.	6 2 0	5 15 0	5 12 0	5 9 0	5 10 0	5 12 0	6 12 0	6 6 0	6 6 0	6 0 0
Ditto, average	5 2 0	5 1 0	5 2 0	4 12 0	5 2 0	5 0 0	5 12 0	5 10 0	5 10 0	5 12 0
Dhutis—										
(1) Thin line border, 2/5½ yds.	1 2 6	1 2 0	1 2 0	1 1 0	1 1 0	1 0 0	..	1 0 0	1 0 0	1 0 0
(2) Tape border, 50" × 2/6, 7, 8 yds.	2 2 0	..	..	2 4 0	2 4 0	..	..	..	2 [illegible] 0	2 8 0
(3) Bobby border, 40" × 2/5½ yds.	1 4 0	..	..	..	..	..	..	..	..	..
Shirtings: R58 R, English, 9 lbs.	..	..	..	..	..	..	..	..	..	..
JAPAN.										
Grey—										
Bow and Arrow, 44" × 45/46 yds.	10 14 0	11 0 0	11 0 0	10 14 0	11 0 0	..	10 14 0	10 14 0	..	..
BRITISH.										
White—										
Mulls (Bleached in piece):										
(1) 1708, 53" × 20 yds.	9 9 0	9 6 0	9 6 0	9 5 0	9 6 0	9 6 0	9 14 0	9 12 0	9 12 0	9 11 0
(2) 9000, 52" × 20 yds.	11 4 0	..	11 4 0	11 0 0	11 0 0	10 14 0	10 12 0	10 12 0	10 12 0	10 12 0

Dhuties—										
Thin line border, 40" × 25½ yds.	1 6 0	..	1 4 0	1 4 0	..	..	..	..	..	1 2 6
Tape border, 2/6, 7, 8 × 50"	..	..	..	..	..	..	..	2 4 6	2 4 6	2 4 6
Bobby border, 2/6, 7, 8 × 50"	2 10 0	..	..	..	..	..	..	..	3 8 0	3 8 0
Longcloth, 1844, 36" × 40 yds.	..	10 4 0	10 4 0	..	..	..	10 4 0	10 4 0	10 4 0	10 4 0
Coloured Dyed (Dyed in piece):										
Mulls, per yard	..	..	0 4 6	0 4 6	0 4 6	0 4 6	0 4 6	0 4 0	0 4 0	0 4 0
Saris, red, pink and white, 40", per yard	..	..	..	0 5 0	0 5 2	0 5 2	0 5 0	0 5 0	0 5 0	0 5 0
Crimps, mercerised, 27", per yard	..	..	..	0 6 9	0 6 9	0 6 9	0 6 0	0 6 6	0 6 3	0 6 3
Crimps, 2nd quality, 27", per yard	..	..	..	..	..	..	0 5 0	0 5 0	0 5 0	0 5 0
Prints, 2·32" × 27 × 40 yds., per piece	..	..	..	..	11 0 0	11 0 0	..	..	..	..
Jeans, 27", per yard	..	0 6 2	0 6 3	0 6 0	0 5 11	0 5 11	0 5 9	0 5 [illegible]	0 5 9	0 5 6
Red shirtings, 38" × 40 yds., per piece	..	..	..	..	..	..	11 8 0	11 8 0	11 8 0	11 8 0
Cotton yarn—										
British—										
60s, super-American "Wood Cutter"	..	..	6 12 6	6 8 6	6 8 0	6 7 6	6 6 6	6 6 [illegible]	6 6 0	6 6 0
40s, grey	..	..	3 15 0	3 15 0	3 15 0	3 12 0	4 2 6	4 9 0	4 8 6	4 8 6
60s, bleached "India Britannica"	..	7 10 0	7 8 0	7 8 0	7 4 0	7 4 0	7 3 0	7 2 0	7 0 0	7 0 0
40s, bleached	..	..	4 9 0	4 9 0	4 9 6	4 11 0	4 9 6	4 10 0	4 10 0	4 10 0
40s. T. Red "Green Horse"	..	..	8 0 0	7 8 0	7 8 0	7 8 0	7 8 0	7 8 0	7 6 0	7 6 0
60s. T. Red "Peacock"	..	..	13 2 0	13 2 0	13 2 0	13 2 0	13 1 0	13 0 0	13 [illegible] 0	13 0 0
Non-British—										
40s, grey "Colour Ball", China	..	7 12 0	7 10 0	7 8 0	7 12 0	7 9 0	8 2 6	8 2 0	8 2 0	8 4 6
2/64s, bleached mercerised, Japan	..	7 15 0	7 11 6	7 9 0	7 12 0	8 1 0	8 13 6	8 12 0	8 12 0	8 15 0

Weekly statement of prices of specified lines of Cotton Piecegoods—contd.

Description.	Week ending 9th May, 1931.	16th May, 1931.	23rd May, 1931.	30th May, 1931.	6th June, 1931.	13th June, 1931.	20th June, 1931.	27th June, 1931.	4th July, 1931.	11th July, 1931.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
BRITISH.										
Grey—										
Mulls: Ticket Mongoose, 22 × 22 lbs., 3-9 ozs., 51″ × 20 yds.	6 0 0	6 0 0	5 12 0	5 12 0	5 10 0	5 10 0	5 11 0	5 11 0	5 12 0	5 12 0
(Plain) Ditto, average	5 4 0	5 4 0	..	5 4 0	5 0 0	5 0 0	5 1 0	5 1 0	5 2 0	5 2 0
Amazon and Lion, 22 × 22 lbs., 3-6 ozs., 50″ × 20 yds.	5 14 0	5 14 0	5 8 0	5 8 0	5 6 0	5 6 0	5 7 0	5 7 0	5 6 0	5 6 0
Ditto, average	5 0 0	..	..	5 0 0	4 11 0	4 11 0	4 11 0	..	4 13 0	..
Dhutis—										
(1) Thin line border, 2/5¾ yds.	1 0 0	0 15 6	0 15 6	0 15 6	0 15 6	1 0 0	1 0 0	1 0 0	1 0 0	1 0 0
(2) Tape border, 50″ × 2/6, 7, 8 yds.	..	..	..	..	..	..	2 8 0	2 8 0	..	..
(3) Bobby border, 40″ × 2/5¾ yds.	..	..	..	..	1 1 0	1 1 0	..	..	..	..
Shirtings: R5SR English, 9 lbs.	..	..	..	..	..	..	..	..	..	..
JAPAN.										
Grey—										
Bow and Arrow, 44″ × 45/46 yds.	..	10 10 0	10 10 0	10 10 0	10 5 0	10 5 0	10 5 0	10 5 0	10 3 0	10 3 0
BRITISH.										
White—										
Mulls (Bleached in piece):										
(1) 1708, 53″ × 20 yds.	9 9 0	9 9 0	9 8 0	9 8 0	9 8 0	9 8 0	9 9 0	9 9 0	9 9 0	9 9 0
(2) [illegible], 52″ × 20 yds.	10 4 0	10 6 0	10 6 0	10 6 0	10 6 0	10 5 0	10 5 0	10 5 0	10 5 0	10 5 0

Dhutis—										
Thin line border, 40″ × 25½ yds.	1 2 0	..	1 2	1 1 0	1 1 0	..	1 1 0	1 1 0	..	1 1 6
Tape border, 2/6, 7, 8 × 50″	2 2 0	..	..	..	2 5 0	2 5 6	2 5 6	3 4 0	2 9 0	2 9 0
Bobby border, 2/6, 7, 8 × 50″	..	..	..	..	..	3 4 0	3 4 0	..	..	..
Long cloth, 1344, 36″ × 40 yds.	10 6 0	10 6 0	10 6 0	10 6 0	10 6 0	10 6 0	10 6 0	10 6 0	10 6 0	10 6 0
Coloured Dyed (Dyed in piece):										
Mulls, per yard	..	..	..	..	..	0 4 3	0 4 3	..	..	..
Saris, red, pink and white, 40″, per yard	..	..	..	..	..	..	..	..	..	..
Crimps, mercerised, 27″, per yard	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 3	0 5 3
Crimps, 2nd quality, 27″, per yard	..	..	..	..	..	..	..	..	..	..
Prints, 2·32″ × 27 × 40 yds., per piece	..	..	..	..	..	..	..	..	..	..
Jeans, 27″, per yard	0 5 6	0 5 6	0 5 6	0 5 6	0 5 6	0 5 4 to 0 5 7	0 5 4	0 5 5	0 5 3	0 5 3
Red shirtings, 38″ × 40 yds., per piece	..	..	..	..	..	..	0 5 7	0 5 7	0 5 6	0 5 6
Cotton yarn—										
British—										
60s, super-American "Wood Cutter"	0 6 0	6 4 0	6 4 0	6 4 0	6 3 0	6 3 0	6 3 0	6 3 0	6 3 0	6 3 0
40s, grey	4 2 6	4 2 6	4 2 6	4 2 6	4 2 0	4 0 0	4 0 0	4 0 0	4 0 0	4 0 0
60s, bleached "India Britannica"	7 0 0	6 15 0	6 15 0	6 14 0	6 13 0	6 13 0	6 12 0	6 12 0	6 12 0	6 12 0
40s, bleached	4 7 6	4 7 6	4 7 0	4 7 0	4 7 0	4 6 0	4 6 0	4 6 0	4 7 0	4 7 0
40s, T. Red "Green Horse"	7 6 0	7 4 0	7 4 0	7 4 0	7 4 0	7 3 0	7 4 0	7 4 0	7 3 0	7 3 0
60s, T. Red "Peacock"	..	13 0 0	13 0 0	13 0 0	12 14 0	12 0 0	12 0 0	12 0 0	12 0 0	12 0 0
Non-British—										
40s, grey "Colour Ball", China	8 2 6	8 3 6	8 0 0	7 14 0	7 11 0	7 10 0	7 11 0	7 9 0	7 11 0	7 14 0
2/64s, bleached mercerised, Japan	8 12 0	8 11 0	8 11 0	8 8 0	8 7 0	8 6 0	8 6 0	8 8 0	8 10 0	8 8 0

Weekly statement of prices of specified lines of Cotton Piecegoods—contd.

Description.	18th July, 1931.	25th July, 1931.	1st Aug., 1931.	8th Aug., 1931	15th Aug., 1931	22nd Aug., 1931.	29th Aug., 1931.	12th Sept., 1931.	19th Sept., 1931.	26th Sept., 1931.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
BRITISH.										
Grey—										
Mulls : Ticket Mongoose, 22 × 22 lbs., 3-9 ozs., 51″ × 20 yds.	5 12 0	5 14 0	6 0 0	6 4 0	6 4 0	6 4 0	6 4 0	6 12 0	6 12 0	6 12 0
(Plain) Ditto, average	5 0 0	5 8 0	5 8 0	5 10 0	5 10 0	5 12 0	5 12 0	5 14 0	[illegible] 14 0	5 14 0
Amazonand Lion, 22 × 22 lbs., 3-6 ozs., 50″ × 20 yds.	5 6 0	5 10 0	5 10 0	5 12 0	5 12 0	5 12 0	5 12 0	6 0 0	6 0 0	6 0 0
Ditto, average	..	5 5 0	5 5 0	..	..	..	..	..	..	..
Dhutis—										
(1) Thin line border, 2/5½ yds.	1 0 0	1 0 0	1 0 0	1 0 0	1 0 0	1 1 0	1 1 0	1 1 0	1 1 0	1 1 0
(2) Tape border, 50″ × 2/6, 7, 8 yds.	..	..	.	1 14 0	1 14 0	1 14 0	1 14 0	1 14 0	..	..
(3) Bobby border, 40″ × 2/5½ yds.	.	..	..	..	..	..	..	..	..	..
Shirtings : R5SR English, 9 lbs.	..	..	..	..	..	..	..	..	..	..
JAPAN.										
Grey—										
Bow and Arrow, 44″ × 45/46 yds.	10 5 0	10 2 0	10 4 0	10 5 0	10 5 0	9 12 0	9 10 0	9 10 0	9 10 0	9 10
BRITISH.										
White—										
Mulls (Bleached in piece) :										
(1) 1703, 53″ × 20 yds.	9 9 0	9 10 0	9 10 0	9 10 0	9 10 0	9 10 0	9 10 0	9 10 0	9 10 0	9 10 0
(2) 9000, 52″ × 20 yds.	10 5 0	10 0 0	9 8 0	9 12 0	9 8 0	9 8 0	9 8 0	9 8 0	9 8 0	9 8 0

Dhuti—										
Thin line border, 40" × 25½ yds.	1 1 6	1 2 0	1 2 0	1 2 0	1 2 0	1 2 0	1 2 0	1 2 0	1 2 0	1 2 0
Tape border, 2/6, 7, 8 × 50"	2 9 0	2 9 0	2 0 0	2 2 0	2 2 0	2 2 0	2 2 0	2 2 0	2 2 0	2 2 0
Bobby border, 2/6, 7, 8 × 50"	..	..	2 8 0	2 8 0	2 8 0	2 10 0	2 10 0	2 8 0	2 8 0	2 8 0
Long cloth, 1344, 36" × 40 yds.	10 6 0	10 6 0	10 6 0	..	10 8 0	10 8 0	10 8 0	10 6 0	10 8 0	10 4 0
Coloured Dyed (Dyed in piece):										
Mulls, per yard	0 4 3	0 4 3	0 4 3	0 4 3	0 4 3	0 4 3	0 4 3	0 4 0	0 4 0	0 4 0
Saris, red, pink and white, 40", per yard	..	..	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0
Crimps, mercerised, 27", per yard	0 5 3	0 5 3	0 6 9	0 6 9	0 6 6	0 6 6	0 6 6	0 6 6	0 6 3 to 0 6 6	0 6 3
Crimps, 2nd quality, 27", per yard	..	..	0 4 9 to 0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0
Prints, 2·32" × 27 × 40 yds., per piece	..	10 10 0	10 12 0	10 12 0	10 12 0	10 12 0	10 8 0	10 8 0	10 8 0	10 [illegible] 0
Jeans, 27", per yard	0 5 2	0 5 2	0 5 2	0 5 2	0 5 2	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0
Red shirtings, 38" × 40 yds., per piece	0 5 5	0 5 5	0 5 4	0 5 4	0 5 4	0 5 3	0 5 3	0 5 3	0 5 3	0 5 3
Cotton yarn—										
British—										
60s, super-American "Wood Cutter"	6 3 0	6 3 0	6 3 0	6 3 0	6 3 0	6 2 6	6 2 0	6 1 0	6 1 0	6 0 0
40s, grey	4 0 0	4 0 0	3 13 0	3 14 0	3 14 0	3 13 0	3 13 0	3 11 0	3 11 0	3 11 0
60s, bleached "India Britannica"	6 12 0	6 12 0	6 11 0	6 11 0	6 11 0	6 10 0	6 10 0	6 9 0	6 9 0	6 8 0
40s, bleached	4 7 0	4 7 0	4 6 0	4 6 0	4 6 0	4 6 0	4 4 0	4 4 0	4 4 0	4 4 0
40s, T. Red "Green Horse"	7 4 0	7 2 0	7 3 0	7 0 0	7 0 0	7 0 0	7 0 0	7 0 0	7 0 0	6 14 0
60s, T. Red "Peacock"	12 0 0	12 0 0	12 0 0	12 0 0	12 0 0	12 0 0	12 0 0	12 11 0	12 11 0	12 11 0
Non-British—										
40s, grey "Colour Ball", China]	7 14 0	7 14 0	7 12 0	7 12 0	7 12 0	7 3 0	7 0 0	7 3 0	7 3 0	7 3 0
2/64s, bleached mercerised, Japan	8 12 0	8 12 0	8 12 0	8 0 0	8 0 0	8 6 0	8 4 0	7 10 0	7 10 0	7 10 0

Weekly statement of prices of specified lines of Cotton Piecegoods—contd.

Description.	Week ending 3rd Oct., 1931.	10th Oct., 1931.	17th Oct., 1931.	24th Oct., 1931.	31st Oct., 1931.	7th Nov., 1931.	14th Nov., 1931.	21st Nov., 1931.	28th Nov., 1931.	5th Dec., 1931.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
British.										
Grey—										
Mulls: Ticket Mongoose, 22 × 22 lbs., 3-9 ozs., 51" × 20 yds.	6 14 0	6 12 0	6 12 0	6 10 0	6 10 0	6 10 0	6 6 0	6 6 0	6 6 0	6 0 0
(Plain) *Ditto*, average	5 14 0	5 12 0	5 12 0	5 8 0	5 8 0	5 8 0	5 8 0	5 8 0	5 8 0	5 0 0
Amazon and Lion, 22 × 22 lbs., 3-6 ozs., 50" × 20 yds.	6 2 0	6 2 0	6 0 0	6 0 0	6 0 0	6 0 0	5 9 0	5 9 0	5 9 0	5 6 0
Ditto, average	..	..	..	..	..	..	..	..	..	..
Dhutis—										
(1) Thin line border, 2/5½ yds.	1 1 0	1 1 0	1 1 0	1 1 0	1 1 0	1 1 0	1 1 0	1 0 6	1 0 6	1 1 0
(2) Tape border, 50" × 2/6, 7, 8 yds.	..	..	..	..	..	..	..	..	..	..
(3) Bobby border, 40" × 2/5½ yds.	..	..	..	..	..	..	..	..	..	..
Shirtings: R58R English, 9 lbs.	..	..	..	..	..	..	..	..	..	..
Japan.										
Grey—										
Bow and Arrow, 44" × 45/46 yds.	10 4 0	10 4 0	10 0 0	10 0 0	10 2 0	10 2 0	15 5 0	10 10 0	10 10 0	11 0 0
British.										
White—										
Mulls (Bleached in piece):										
(1) 1708, 58" × 20 yds.	9 10 0	9 14 0	9 14 0	9 14 0	9 14 0	9 14 0	9 14 0	9 14 0	9 14 0	9 10 0
(2) 9000, 52" × 20 yds.	9 8 0	9 10 0	9 8 0	9 8 0	9 8 0	9 12 0	9 12 0	9 14 0	9 14 0	9 12 0

Dhuties—										
Thin line border, 40" × 25½ yds.	1 2 0	1 4 0	1 4 0	1 4 0	1 4 0	1 4 0	1 3 0	1 3 0	1 3 0	1 2 0
Tape border, 2/6, 7, 8 × 50"	2 2 0	2 2 0	2 4 0	2 4 0	2 8 0	2 8 0	2 6 0	2 6 0	2 6 0	2 6 0
Bolfoy border, 2/6, 7, 8 × 50"	2 8 0	2 8 0	2 10 0	2 10 0	2 12 0	2 12 0	2 10 0	2 10 0	2 10 0	2 10 0
Longcloth, 1344, 36" × 40 yds.	10 4 0	..	..	10 4 0	10 4 0	10 0 0	10 0 0	10 0 0	10 0 0	10 0 0
Coloured Dyed (Dyed in piece):										
Mulls, per yard	0 4 0	0 4 3	0 4 3	0 4 3	0 4 3	0 4 0	0 3 11	0 3 11	0 3 11	0 3 11
Saris, red, pink and white, 40", per yard	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0
Crimps, mercerised, 27", per yard	0 6 3	0 6 3	0 6 3	0 6 3	0 6 3	0 6 3	0 6 3	0 6 3	0 6 3	0 6 3
Crimps, 2nd quality 27", per yard	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0
Prints, 2·32" × 27 × 40 yds., per piece	10 8 0	10 12 0	10 12 0	10 12 0	10 12 0	10 12 0	10 12 0	10 12 0	10 12 0	10 12 0
Jeans, 27", per yard	0 5 0	0 5 6	0 5 6	0 5 6	0 5 6	0 5 6	0 5 5	0 5 5	0 5 5	0 5 5
Ball shirtings, 38" × 40 yds., per piece	0 5 3	..	..	..	..	..	..	..	..	
Cotton yarn—										
British—										
60s, super-American "Wood Cutter"	6 2 0	6 3 0	6 2 0	6 2 0	6 2 0	6 0 0	6 0 0	6 0 0	6 0 0	6 0 0
40s, gray	3 13 0	3 13 0	3 12 0	3 12 0	3 12 0	3 12 0	3 12 0	3 12 0	3 12 0	3 12 0
60s, bleached "India Britannica"	6 13 0	6 13 0	6 15 0	6 15 0	6 15 0	6 15 0	6 15 0	6 14 0	6 12 0	6 12 0
40s, bleached	4 8 0	4 8 0	4 10 0	4 10 0	4 10 0	4 11 0	4 10 0	4 10 0	4 10 0	4 10 0
40s, T. Red "Green Horse"	6 13 0	6 13 0	6 13 0	6 13 0	6 13 0	6 12 0	6 10 0	6 10 0	6 10 0	6 8 0
60s, T. Red "Peacock"	..	..	12 8 0	12 8 0	12 8 0	12 8 0	12 4 0	12 4 0	12 4 0	12 4 0
Non-British—										
40s, grey "Colour Ball", China	7 8 0	7 8 0	7 7 0	7 7 0	7 7 0	7 5 0	7 5 0	7 5 0	7 6 0	7 6 0
2/64s, bleached mercerised, Japan	8 0 0	8 0 0	7 10 0	7 10 0	7 10 0	7 10 0	7 10 0	7 8 0	7 8 0	7 8 0

Weekly statement of prices of specified lines of Cotton Piecegoods—contd.

Description.	Week ending 12th Dec., 1931.	19th Dec., 1931.	2nd Jan., 1932.	9th Jan., 1932.	16th Jan., 1932.	23rd Jan., 1932.	30th Jan. 1932.	6th Feb., 1932.	13th Feb., 1932.	22nd Feb., 1932.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
BRITISH.										
Grey—										
Mulls : Ticket Mongoose, 22 × 22 lbs., 3-9 ozs., 51" × 20 yds.	6 0 0	5 12 0	5 12 0	5 9 0	5 9 0	5 9 0	5 9 0	5 12 0	5 12 0	5 12 0
(Plain) Ditto, average	5 0 0	5 0 0	5 0 0	5 6 0	4 13 0	4 13 0	4 13 0	4 14 0	5 0 0	5 0 0
Amazon and Lion, 22 × 22 lbs., 3-6 ozs., 50" × 20 yds.	5 6 0	5 6 0	5 6 0	4 13 0	5 6 0	5 6 0	5 6 0	5 6 0	5 6 0	5 [illegible] 0
Ditto, average	..	..	..	..	..	..	..	..	..	..
Dhutis—										
(1) Thin line border, 2/5½ yds.	1 1 0	1 0 6	1 0 0	1 0 0	1 0 0	1 0 6	1 1 0	1 0 6	1 1 0	1 1 6
(2) Tape border, 50" × 2/6, 7, 8 yds.	..	..	..	..	..	..	..	..	..	..
(3) Bobby border, 40" × 2/5½ yds.	..	..	..	..	..	..	..	..	..	..
Shirtings: R5 8 R English, 9 lbs.	..	..	..	..	..	..	..	..	..	..
JAPAN.										
Grey—										
Bow and Arrow, 44" × 45/46 yds.	11 0 0	11 6 0	11 0 0	11 0 0	11 0 0	11 0 0	10 10 0	11 0 0	11 0 0	10 14 0
BRITISH.										
White—										
Mulls (Bleached in piece) :										
(1) 1708, 58" × 20 yds.	9 14 0	9 12 0	9 8 0	9 10 0	9 10 0	9 8 0	9 10 0	9 8 0	9 11 0	9 11 0
(2) 9070, 52" × 20 yds.	9 3 0	9 3 0	9 4 0	9 10 0	9 8 0	9 8 0	9 10 6	9 10 0	9 10 0	9 10 0

Dhutis—										
Thin line border, 40″ × 25½ yds.	1 2 0	1 2 0	1 2 0	1 2 0	1 2 0	1 2 0	1 2 0	1 2 0	1 2 0	1 2 6
Tape border, 2/6, 7, 8 × 50″	2 6 0	2 6 0	2 6 0	2 6 0	2 6 0	2 6 0	2 6 0	[illegible] 6 0	2 6 0	2 6 0
Bobby border, [illegible]/6, 7, 8 × 50″	2 10 0	2 10 0	2 10 0	2 10 0	2 10 0	2 12 0	2 12 0	2 12 0	2 12 0	2 12 0
Longcloth, [illegible]344, 36″ × 40 yds.	..	10 0 0	..	9 12 0	9 12 0	9 12 0	9 12 0	9 12 0	9 12 0	9 10 0
Coloured Dyed (Dyed in piece) :										
Mulls, per yard	0 3 11	0 4 0	0 4 0	0 4 0	0 4 0	0 4 0	0 4 0	0 4 2	0 4 3	0 4 3
Saris, red, pink and white, 40″, per yard	0 5 0	0 5 0	0 4 9	0 4 9	0 4 9	0 4 9	0 4 9	0 4 9	0 4 9	..
Crimps, mercerised, 27″, per yard	0 6 3	0 6 3	0 6 3	0 6 3	0 6 3	0 6 [illegible]	0 6 3	0 6 3	0 6 3	0 7 0
Crimps, 2nd quality, 27″, per yard	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 9
Prints, 2·32″ × 27 × 40 yds., per piece	10 12 0	10 12 0	10 8 0	..	..	..	..	..	..	..
Jeans, 37″, per yard	0 5 5	0 5 5	0 5 5	0 5 6	0 5 6	0 5 6	0 5 6	0 5 6	0 5 6	0 5 5
Red shirtings, 38″ × 40 yds., per piece	..	..	..	..	..	..	..	..	..	..
Cotton yarn—										
British—										
60s, super-American "Wood Cutter"	5 15 0	5 15 0	5 15 0	5 15 0	5 15 0	5 15 0	5 12 0	5 14 0	5 14 0	5 14 [illegible]
40s, grey	3 12 0	3 10 0	3 10 0	3 10 0	3 10 0	3 10 0	3 10 0	3 10 0	4 0 0	4 0 0
60s, bleached "India Britannica"	6 12 0	6 12 0	6 12 0	6 12 0	6 12 0	6 12 0	6 12 0	6 12 0	6 12 0	6 12 0
40s, bleached	4 10 0	4 8 0	4 8 0	4 8 0	4 8 0	4 8 0	4 6 0	4 6 0	4 12 0	4 12 0
40s, T. Red "Green Horse"	6 6 0	6 6 0	6 6 0	6 6 0	6 6 0	6 6 0	6 6 0	6 6 0	6 6 0	6 6 0
60s, T. Red "Peacock"	12 4 0	12 4 0	12 0 0	12 0 0	12 0 0	12 0 0	12 0 0	12 0 0	12 0 0	12 0 0
Non-British—										
40s, grey "Colour Ball", China	7 6 0	7 6 0	7 7 0	7 6 0	7 6 0	7 6 0	7 6 0	8 3 0	9 0 0	8 12 0
2/64s, bleached mercerised, Japan	7 8 0	7 12 0	7 12 0	7 12 0	7 12 0	7 12 0	7 8 0	7 12 0	7 12 0	7 12 0

Weekly statement of prices of specified lines of Cotton Piecegoods—concld.

Description.	Week ending 29th Feb., 1932. Rs. A. P.	12th Mar., 1932. Rs. A. P.	19th Mar., 1932. Rs. A. P.	2nd April, 1932. Rs. A. P.	9th April, 1932. Rs. A. P.	16th April, 1932. Rs. A. P.	23rd April, 1932. Rs. A. P.	30th April, 1932. Rs. A. P.	7th May, 1932. Rs. A. P.	14th May, 1932. Rs. A. P.
British.										
Grey—										
Mulls: Ticket Mongoose, 22 × 22 lbs., 3-9 ozs., 51" × 20 yds.	5 12 0	6 10 0	6 10 0	6 10 0	6 4 0	6 4 0	6 6 0	6 4 0	6 4 0	6 4 0
(Plain) Ditto, average	5 0 0	5 12 0	5 12 0	5 12 0	5 10 0	5 10 0	5 10 0	5 10 0	5 8 0	5 8 0
Amazon and Lion, 22 × 22 lbs., 3-6 ozs., 50" × 20 yds.	5 6 0	0 6 0	6 0 0	6 0 0	5 14 0	5 14 0	5 14 0	5 14 0	5 13 0	5 13 0
Ditto, average	..	..	..	..	..	..	..	..	..	..
Dhutis—										
(1) Thin line border, 2/5½ yds.	1 1 6	1 2 0	1 2 0	1 2 0	1 1 6	1 1 6	1 2 0	1 2 0	1 2 0	1 2 0
(2) Tape border, 50" × 2/6, 7, 8 yds.	..	..	..	..	..	..	..	..	..	..
(3) Bobby border, 40" × 2/5½ yds.	..	..	..	..	..	..	..	..	..	..
Shirtings: R 5 8 R English, 9 lbs.	..	..	..	..	..	..	..	..	..	..
Japan.										
Grey—										
Bow and Arrow, 44" × 45/46 yds.	11 2 0	11 0 0	11 0 0	10 14 0	10 14 0	10 14 0	10 5 0	10 5 0	10 5 0	10 5 0
British.										
White—										
Mulls (Bleached in piece):										
(1) 1703, 53" × 20 yds.	9 8 0	9 8 0	9 8 0	9 6 0	9 6 0	9 6 0	9 2 0	9 3 0	9 2 0	9 2 0
(2) 9000, 52" × 20 yds.	10 0 0	10 0 0	10 0 0	10 0 0	9 10 0	9 10 0	9 8 0	9 12 0	9 10 0	9 10 0

Dhutis—										
Thin line border, 40″ × 25½ yds.	1 2 6	1 3 0	1 3 0	1 3 0	1 3 0	..	1 4 0	1 4 0	1 4 0	1 4 0
Tape border, 2/6, 7, 8 × 50″	2 6 0	2 6 0	2 6 0	2 6 0	2 6 0	..	..	..	..	..
Bobby border, 2/6, 7, 8 × 50″	2 12 0	2 12 0	2 12 0	2 12 0	2 12 0	..	..	..	..	..
Long cloth, 1344, 36″ × 40 yds.	9 10 0	9 10 0	9 10 0	9 10 0	9 10 0	..	9 10 0	9 10 0	9 10 0	9 10 0
Coloured Dyed (Dyed in piece):										
Mulls, per yard	0 4 3	0 4 9	0 4 9	0 4 11	0 4 11	0 4 11	0 4 11	0 4 11	0 5 0	0 5 0
Saris, red, pink and white, 46″, per yard	0 4 9	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 0	0 5 3	0 5 3
Crimps, mercerised, 27″, per yard	0 7 0	0 7 0	0 7 0	0 7 0	0 7 0	0 7 0	0 7 0	0 7 0	0 7 0	0 7 0
Crimps, 2nd quality, 27″, per yard	0 5 9	0 5 9	0 5 9	0 5 9	0 5 9	0 5 9	0 5 9	0 5 9	0 5 9	0 5 9
Prints, 2·32″ × 27 × 40 yds., per piece	..	..	..	..	..	..	..	..	..	..
Jeans, 27″, per yard	0 5 5	0 5 5	0 5 5	0 5 6	0 5 5	0 5 5	0 5 5	0 5 5	0 5 5	0 5 5
Red shirtings, 38″ × 40 yds., per piece	..	..	..	..	..	..	..	..	..	..
Cotton yarn—										
British—										
60s, super-American "Wood Cutter"	5 14 0	5 14 0	5 14 0	5 14 0	5 14 0	5 14 0	5 14 0	5 14 0	5 14 0	5 12 0
40s, grey	4 0 0	4 0 0	4 0 0	4 0 0	4 0 0	4 0 0	4 0 0	4 0 0	3 12 0	3 12 0
60s, bleached "India Britannica"	6 12 0	6 10 0	6 10 0	6 10 0	6 10 0	6 10 0	6 10 0	6 10 0	6 10 0	6 10 0
40s, bleached	4 12 0	4 12 0	4 12 0	4 12 0	4 10 0	4 10 0	4 10 0	4 10 0	4 10 0	4 10 0
40s, T. Red "Green Horse"	6 6 0	6 6 0	6 6 0	6 6 0	6 6 0	6 6 0	6 6 0	6 6 0	6 6 0	6 6 0
60s, T. Red "Peacock"	12 0 0	11 12 0	11 12 0	11 12 0	11 12 0	11 12 0	11 12 0	11 12 9	11 12 0	11 12 0
Non-British—										
40s, grey "Colour Ball", China	10 6 0	10 0 0	9 7 0	7 15 0	7 12 0	7 12 0	7 10 0	7 10 0	7 4 0	7 0 0
2/64s, bleached mercerised, Japan	8 0 0	8 0 0	7 6 0	7 2 0	6 14 0	6 14 0	6 14 0	6 8 0	6 6 0	6 8 0

Collector of Customs, Rangoon.

Letter C. No. 254 of 1932, dated the 1st June, 1932.

I have the honour to refer to your letter No. 176, dated the 25th April, 1932.

2. I appointed Mr. Minus, an Appraiser in this Custom House, to collect the information required by you in connection with your enquiry regarding the continuance of protection for the Indian Cotton Textile Industry. Mr. Minus' note submitted to me is interesting. A copy of the same together with a copy of the statement prepared by him is forwarded for your information. Another five copies of the statement will be sent to you in due course being now under preparation. I also enclose six copies of a comparative statement of coloured goods imported into Burma during the years 1930-31 and 1931-32.

3. A statement giving full details of piecegoods imported into Burma during the month of August, 1929, was prepared by the same officer for Mr. Hardy but unfortunately the office copy has been misplaced.

Enclosure.

Copy of Mr. Minus' Note, dated the 26th May, 1932.

In attempting to accede to the requirements of the Secretary, Tariff Board, I have endeavoured to give as much information as possible as was available, from our records, the local market and from actual tests for weight and count made on samples drawn from the wharf or at importers' premises. The brands of piecegoods selected for this purpose comprise the most popular ones, are typical of their particular line in the market and give a fair indication of the general state of the market during the period covered by the report. Where possible I have shown in the statement market values which prevailed prior to April, 1930, and have also given the reasons as far as could be gleaned, for the variations in the market values.

It will be noticed from the statement that market prices have dropped in practically every instance, the reason being the fall in invoice cost due no doubt to the depreciation of cotton prices. Another reason which is adduced for the present low cost of output of Japanese piecegoods, is that Japan had bought large quantities of American cotton at very favourable rates and is consequently able to place on the market cloth at prices which their competitors find it hard to beat.

Japan which held the market in grey goods has been forced to give up the heavier counts such as drills and sheetings owing to the fact that Bombay now produces these at prices with which Japan cannot compete, as the latter country is forced to buy Indian yarn for this purpose, the American qualities being mainly of the lighter counts.

Most of the brands which are shown in the list are those which were specially selected in 1930 for report to the Director-General, as being typical of the lines they represented; but it will be noticed that some of these have completely lost the market, this being due to their being replaced by more up-to-date lines. As far as Burma is concerned, experience has shown that the tendency is to purchase new designs.

In regard to the points raised by the Tariff Board, I append notes seriatim.

Para. 2.—No special record was maintained but at the request of the Director-General, *vide* his letter No. 4311, dated the 30th April, 1930, and our reply No. C. 390, dated the 13th May, 1930, we supplied him, with effect from April, 1930, monthly statements of certain selected brands of piecegoods showing the length, width and variation in market values. This information is incorporated in the statement referred to above in which is also included—in respect of these and a few other staple brands,—the weight and number of warp and weft threads per ¼ inch.

No special record of dhuties under the head of shirtings, jaconets and mulls has been maintained, the classification here following Director-General of Commercial Intelligence's list, *viz.*:—

1. *Grey piecegoods*—
   - (*a*) Plain grey—Dhuties, saries and scarves.
   - (*b*) Bordered grey—dhuties, saries and scarves.
2. *White piecegoods.*—Dhuties, saries and scarves.
3. *Coloured, printed or dyed.*—Printed dhuties, dyed dhuties, woven dhuties.

With regard to Japanese longcloth and shirtings, no special record has been maintained but the warp and weft of counts of certain varieties have been included in the statement.

A statement of the quantities of the various types of coloured goods imported from foreign countries into Burma is attached. Burma does not produce any cotton piecegoods. An outstanding fact in regard to the Burma market during the last few years is the replacement of cotton and silk by artificial silk, of which the local production takes a much larger share than formerly.

Para. 3.—There is no production of cotton piecegoods in Burma.

In regard to this paragraph please see the Superintendent of Statistics' notes at page vii.

Para. 4.—The record referred to has been submitted monthly to the Director-General of Commercial Intelligence but as mentioned in my note above all the information is incorporated in the statement which I have compiled and submit herewith.

Statement showing the imports of coloured goods from foreign countries into Burma in millions of yards during 1930-31 and 1931-32.

Descriptions.	1930-31. Million yards.	1931-32. Million yards.
Chadars	...	...
Lungis and dhuties, printed	5	6
Lungis, dhuties and sarongs, woven	9	7
Lungis and sarongs, printed and woven	2	1
Total	16	14
Drills and jeans, printed	3	4
Drills and jeans, woven	1	1
Total	4	5
Shirtings	10	10
Checks, spots and stripes	2	1
Saris and scarves	...	...
Twills	2	2
Drills and jeans	3	3
Total	17	16
Saris and scarves, printed		
Saris and scarves, woven		
Checks, spots and stripes, printed		

COTTON TEXTILE

Descriptions.	1930-31. Million yards.	1931-32. Million yards.
Checks, spots and stripes, woven	1	1
Twills, printed	...	...
Twills, woven	...	...
Shirtings, printed	5	6
Shirtings, woven	3	4
Total	9	11
Coatings and trouserings	...	1
Flannel and flannelettes, printed	1	1
Flannel and flannelettes, woven	...	...
Flannel and flannelettes, dyed	1	1
Unspecified, printed	..	...
Unspecified, dyed	3	1
Unspecified, woven		
Total		
Cambrics, etc., printed	1	...
Cambrics, etc., dyed	1	...
Cambrics, etc., woven	...	...
Prints and chintz, printed	3	3
Prints and chintz, dyed	...	...
Sateens, printed	...	...
Sateens and Italians, dyed	1	...
Velvet and velveteens	...	...
Total	6	3
TOTAL IMPORTS INTO BURMA	57	53

Collector of Customs, Bombay.

(1) *Letter R. S. R. No. 2078 of 1932, dated the 9th June, 1932.*

I have the honour to refer to your letter cited above and to offer the following remarks.

2. No statistics of the nature of Mr. Hardy's "special record" have been maintained in this Custom House since August, 1929. The Bombay Chamber of Commerce publishes a monthly summary of imports of piece-goods which shows for various trade headings the number of pieces of certain dimensions imported from different countries. This summary does not, however, show weights or counts.

3. The import trade in dhuties is insignificant in Bombay. There is no record under the sub-headings shirting, jaconet and mull.

4. I give in Appendix A a few typical examples of Japanese longcloth and shirtings with data from which apparent counts may be calculated.

5. I enclose (Table XXXIX in Appendix B) a statement of imports and production of coloured goods in Bombay for the years 1928-29, 1929-30, 1930-31 and 1931-32.

6. There has been no change in statistical classification of Indian manufactures, imports, etc., since the date of Mr. Hardy's report. Preliminary investigations have been made as to how the change in classification should be carried out, but to my knowledge no final conclusion has yet been reached.

7. I enclose (Appendix C) copies of returns made periodically to the Director-General of Commercial Intelligence which form the record of prices of typical piecegoods imported at Bombay. I am unable to say whether these have been the subject of study by a special officer.

8. In para. 2 of your letter you invite my opinion whether the conclusions suggested by Mr. Hardy in Chapter IV of his report require revision in the light of later experience. I find it impossible to give such an opinion. The imposition of a protective tariff as a result of the Hardy report has had comparatively little effect in comparison with much more important factors. The boycott campaign and political unrest, the world-wide economic debacle, the abandonment of the gold standard by the United Kingdom and later by Japan and the Sino-Japanese quarrel have introduced elements into the situation which have entirely obscured the effects of protection and made it impossible to estimate the extent or direction of normal competition. The tables contained in Appendix B which show for the four years 1928-29 to 1931-32 the Bombay figures corresponding to certain of the tables set forth in Chapter IV of Mr. Hardy's report show clearly without comment from me what has been the combined effect of so complicated causes. I may mention, however, certain tendencies which have been apparent in the past two years.

(*a*) The protection of greys has stimulated the importation of whites from Japan, the differential between the specific duty on greys and the *ad valorem* duty on whites being in some cases more than the cost of bleaching.

(*b*) Again, the boycott of Japanese goods in China left the Japanese manufacturers with the alternative of closing down part of their production with a consequent rise in overhead or of finding another market. The result was dumping of surplus stocks in Bombay.

(*c*) The linking of the rupee with sterling when the United Kingdom abandoned the gold standard found Japan at a disadvantage, but there is every prospect of a regain of the ground then lost. Cotton purchased on the gold basis and therefore relatively cheap cotton, now that Japan is herself off the gold standard, is being sold after manufacture in terms of the depreciated currency, and in respect of such goods Japan is at an advantage relatively to countries which preceded her in the flight from the gold standard.

(*d*) In sympathy with the general slump in commodity prices, the price of raw cotton has fallen to an extremely low level. American cotton in particular has been thus affected and the past year has seen exceptional importations of foreign cotton for use in Indian mills as below:—

	Tons.
1928-29	28,783
1929-30	23,913
1930-31	57,780
1931-32	75,800

These importations represent changes in the nature of Indian mill production in the direction of spinning finer counts.

(*e*) The boycott movement in Bombay has prevented the operation of a free market and the Indian mills have worn along with the importer, if in a lesser degree, the fetters of Congress tyranny. Apart from boycott,

there are signs of a true Swadeshi campaign and though it is difficult to separate the genuine national movement from the political weapon at present, the "Buy Indian" slogan is not without importance for the future.

(*f*) I invite a reference to the tables shown in Appendix D. These indicate the increasing importance of artificial silk to the textile trade in India. The yarn figures (Table IV) do not show any marked increase in quantity, though the past two years have seen a decided fall in price. Artificial silk and cotton mixtures too show no tendency to increase (Table II). The figures for artificial silk (Table I) are however truly remarkable and when it is realised that Japanese competition in this line is more than a quality competition by reason of the aesthetic appeal of a more attractive fabric and is an effective price competition also, it must be admitted that a new and significant factor has arisen. The following figures show the progressive fall in artificial silk prices:—

	Rs.	A.	P.	
April, 1928	1	2	0	per yard.
October, 1928	0	15	0	,, ,,
April, 1929	0	13	0	,, ,,
October, 1929	0	10	0	,, ,,
April, 1930	0	8	6	,, ,,
October, 1930	0	7	0	,, ,,
April, 1931	0	5	6	,, ,,
October, 1931	0	5	6	,, ,,
April, 1932	0	5	3	,, ,,

It may be true that artificial silk competes mostly with British and Continental prints and dyed goods, but it is now offered at a price that is within the reach of the poorest and as such it may prove a danger to cotton.

9. Six spare copies of this letter and of its enclosures are forwarded herewith as desired.

APPENDIX A.

Quality.	Length of piece.	Width of piece.	Weight of piece.	No. of threads per ¼ inch.	Price per yard.
	Yds.	Inches.	Lbs.		Rs. A. P.
Grey Shirtings.					
Bow and Arrow	46	44	10	19 × 18	0 3 6
Soldier	40	36	12	19 × 17	0 4 0
5151	38	44	7	16 × 15	0 3 3
3800	38	44	10½	19 × 18	0 4 11
44000	38	44	6½	18 × 12½	0 2 10
0898	38	38	10	21 × 16	0 3 11
White Shirtings.					
800	42	34	*	23 × 21	0 4 5
45000	40	43	*	21 × 18	2 4 6
500	42	35½	13¼	24 × 22	0 4 10
6020	40	35	*	17 × 14	0 3 5
388	40	35	*	24 × 20	0 4 2
5100	20	33	*	18 × 16	0 3 3
Printed Shirtings.					
Goohos	41	26	4½	18 × 14	0 2 6
Rabbit	30	28	4¼	17 × 14	0 2 6
Do.	30	26	4	17 × 14	0 2 3
Do.	27	42	*	17 × 13	0 3 0
Coloured Striped Woven Shirting.					
171	30	27	7	16 × 13	0 3 2
505	30	26	6¼	16 × 12½	0 3 0
2 Lions	30	24	5¾	16 × 12	0 2 10
2420	30	24	5½	16 × 12	0 2 10

* Particulars are not available at present.

APPENDIX B.

TABLE NO. XXI (page 46 of Mr. Hary's report).

Imports into the Bombay Presidency excluding Sind of Grey Dhuties (including Saris and Scarves) in thousands of yards.*

Year.	From United Kingdom.	From Japan.	Total Imports.	†Production in Mills in the Bombay Presidency of Grey and Bleached together.
1928-29 . . .	10,611	2,269	12,889	383,771
1929-30 . . .	16,391	4,137	20,530	540,654
1930-31 . . .	2,816	1,378	4,194	576,816
1931-32 . . .	171	216	387	672,532

* Separate figures for dhuties are not available.

† This column of production includes both "Grey and Bleached" qualities. Separate figures for "Grey and Bleached" are not available.

TABLE NO. XXIV (page 49 of Mr. Hardy's report).

Imports into the Bombay Presidency excluding Sind and production of Grey Longcloth and Shirtings in thousands of yards.

Year.	Imports.				Production of Grey and Bleached together.			Total imports and Bombay Presidency production.
	United Kingdom.	China and Japan.	Other Sources.	Total.	Bombay City Mills.	Other Mills in the Presidency.	Total.	
1928-29 .	12,138	87,869	4	100,011	167,970	176,268	344,238	444,249
1929-30 .	7,505	125,475	5	132,985	289,041	163,586	452,627	585,612
1930-31 .	1,634	49,512	..	51,146	327,617	197,334	524,951	576,097
1931-32 .	956	47,201	8	48,165	435,543	205,237	640,780	688,945

Table No. XXVI (page 51 of Mr. Hardy's report).

Imports into the Bombay Presidency excluding Sind and production of Grey (Plain) T-Cloths, Domestics and Sheetings in thousands of yards.

Year.	Imports.	Production of Grey and Bleached together.			Total imports *plus* production.
		Bombay City. Mills.	Other mills in the Presidency.	Total.	
1928-29	20	17,730	25,345	43,075	43,095
1929-30	11	25,720	26,274	51,994	52,005
1930-31	..	45,522	25,159	70,681	70,681
1931-32	..	66,534	23,567	90,101	90,101

Table No. XXVII (page 52 of Mr. Hardy's report).

Grey sheetings. Exports and Re-exports from the Bombay Presidency, excluding Sind, in thousands of yards (worked out as per assumption on page 52 of Mr. Hardy's report, viz., that exports of "T-cloths and Domestics and sheetings" have been four-thirds of the actual figures for "T-cloths and Domestics" and that sheetings form two-thirds of the total re-exports of Grey goods).

Year.	Exports.	Re-exports.	Total.	Imports.	*Production.		Total imports *plus* production.	Nett quantity available for consumption.
					Bombay Island.	Other Mills in the Bombay Presidency.		
1928-29 .	4,000	4,482	8,482	3,873	17,730	25,345	46,948	38,466
1929-30 .	2,536	5,248	7,784	11,584	25,720	26,274	63,578	55,794
1930-31 .	1,700	4,906	6,606	3,044	45,522	25,159	53,725	67,029
1931-32 .	800	3,501	4,310	3,710	66,534	23,567	93,811	89,501

* These figures represent the actual figures under the head "T-Cloths, Domestic and Sheetings".

Table No. XXIX (page 55 of Mr. Hardy's report).

Imports into the Bombay Presidency excluding Sind and production of Grey Drills and Jeans in thousands of yards.

Year.	Imports.				Production of Grey and Bleached together.			Total.
	United Kingdom.	Japan.	U. S. A.	Total.	Bombay Mills.	Other mills in the Bombay Presidency.	Total Bombay Presidency Production.	
1928-29 .	139	4,782	1,021	6,016	37,536	8,577	46,113	52,129
1929-30 .	28	5,941	360	6,330	56,102	9,154	65,256	71,586
1930-31 .	33	705	190	928	46,753	9,844	56,597	57,525
1931-32 .	25	614	402	1,043	66,416	10,664	77,080	78,123

Table No. XXX (page 56 of Mr. Hardy's report).

Imports into the Bombay Presidency excluding Sind of White (Bleached) goods: all countries.

Year.	In thousands of yards.										In Rs. Lakhs.
	Checks, spots and stripes.	Dhutis, Saris, Scarves and Chaddars.	Mulls.	Jaconets, Madapollams, Cambrics and Muslins.	Nainsooks.	Longcloth and shirtings.	Lawns.	Drills and Jeans.	Twills.	Unspecified.	Total.	Total.
1928-29	1,443	16,066	48,543	3,875	18,513	33,697	539	3,406	5,252	3,599	134,933	418
1929-30	947	13,593	38,749	3,072	12,266	24,256	466	3,363	4,145	1,621	102,478	312
1930-31	249	2,662	15,555	1,553	6,035	13,206	331	1,146	1,585	399	42,751	106
1931-32	307	139	13,048	4,098	4,087	14,498	405	1,040	782	300	38,704	85

Table No. XXXI (page 57 of Mr. Hardy's report).

Imports into the Bombay Presidency excluding Sind of White (Bleached) goods by countries of origin in thousands of yards.

Year.	United Kingdom.	Netherlands.	Switzerland.	Japan.	Others.	Total
1928-29	123,711	3,825	4,404	974	2,019	134,933
1929-30	92,526	2,490	2,545	3,020	1,897	102,478
1930-31	32,832	1,334	1,014	6,715	856	42,751
1931-32	21,761	1,444	2,722	11,130	1,647	38,704

TABLE XXXII (page 58 of Mr. Hardy's report).

Imports into the Bombay Presidency excluding Sind of Coloured (Printed, Dyed and Woven) goods (all countries).

Year.	In thousands of yards.										In Rs. Lakhs.
	Cambrics, Muslins, Madapollams, Mulls and Jaconets.	Chaders, dhutis, saris, scarves and lungis.	Drills and Jeans.	Prints and Chintz.	Shirtings.	Twills.	Flannels and Flannelettes.	Checks, Spots and Stripes.	* Unspecified.	Total.	Total.
1928-29 . .	23,487	16,623	22,463	51,215	24,696	20,259	5,170	10,187	27,618	201,718	681
1929-30 . .	19,676	15,996	37,889	38,600	29,276	15,256	3,738	12,062	17,131	189,826	576
1930-31 . .	6,997	5,006	8,341	16,106	10,742	5,614	993	4,944	8,070	66,903	190
1931-32 . .	6,094	1,333	8,891	11,163	13,044	3,870	1,321	1,306	5,805	53,327	122

* Unspecified also include sateens (Printed), woven lungis and sarongs (Printed and Dyed), Italian cloth and sateens (Dyed), coatings and trouserings (Woven) and Velvet and Velveteens (Woven).

TABLE No. XXXIII (page 58 of Mr. Hardy's report).

Imports into the Bombay Presidency excluding Sind of Coloured—Printed goods (all countries).

Year.	In thousands of yards													In Rs. Lakhs.
	Cambrics including Mulls, Madapollams, Muslins and Jaconets.	Checks, spots and stripes.	Drills and Jeans.	Flannel and Flannelettes.	Lungis and Dhutis.	Prints and Chintz.	Saris and Scarves.	Sateens.	Shirtings.	Twills.	Woven Lungis and Sarongs.	* Unspecified.	Total.	Total.
1928-29 . .	8,812	573	10,529	2,781	4	51,123	16,152	1,577	4,946	2,411	49	1,253	100,210	300
1929-30 . .	6,828	246	15,254	1,856	19	38,385	15,348	1,327	7,298	1,622	..	799	88,982	252
1930-31 . .	1,726	25	4,376	286	..	16,058	4,966	678	4,267	429	..	174	32,980	81
1931-32 . .	738	54	5,195	615	..	11,104	1,267	37	8,475	145	..	89	27,060	81

* Unspecified also include chadars.

TABLE XXXIV (page 59 of Mr. Hardy's report).

Imports into the Bombay Presidency excluding Sind of Coloured—Dyed goods (all countries).

Year.	In thousands of yards.												In Rs. Lakhs.
	Cambrics including Madapollams, Muslins, Mulls and Jaconets.	Checks, spots and stripes.	Drills and Jeans.	Flannels and Flannelettes.	Lungis and Dhutis.	Prints and Chintz.	Saris and scarves.	Sateens and Itallans.	Shirtings.	Twills.	*Unspecified.	Total.	Total.
1928-29 .	14,060	4,600	2,699	1,607	27	63	94	13,080	13,653	9,861	4,857	64,601	2·45
1929-30 .	12,862	5,110	2,016	1,487	181	199	54	8,103	16,499	6,190	3,295	56,[illegible]96	1·97
1930-31 .	5,159	1,323	2,014	[illegible]	..	47	15	3,740	5,639	4,029	2,138	24,517	77
1931-32 .	5,350	700	1,075	1	..	59	40	3,489	4,286	3,329	1,282	21,620	66

* Unspecified also include Chadars and woven lungis and sarongs.

TABLE No. XXXV (page 59 of Mr. Hardy's report).

Imports into the Bombay Presidency excluding Sind of Coloured—Woven goods (all countries).

Year.	In thousands of yards.												In Rs. Lakhs.
	Cambrics including Madapollams, Muslins Mulls and Jaconets.	Checks, spots and stripes.	Drills and Jeans.	Flannel and Flannelettes.	Dhutis, Lungis and Sarongs.	Saris and Scarves.	Shirtings.	Twills.	Velvet and Velveteens.	Coatings and trouserings.	*Unspecified.	Total.	Total.
1928-29 .	615	5,014	9,235	782	250	90	6,097	7,987	966	5,394	477	36,907	1·36
1929-30 .	168	6,706	19,719	395	341	48	5,479	7,444	607	2,243	778	43,948	1·29
1930-31 .	112	3,596	1,951	294	94	21	836	1,156	310	835	201	9,406	32
1931-32 .	6	552	1,721	96	22	4	283	396	463	[illegible]1	94	4,038	11

* Unspecified also include Chadars and Prints and Chintz.

TABLE No. XXXIX (page 65 of Mr. Hardy's report).

Production and imports of Coloured goods in the Bombay Presidency excluding Sind from 1928-29 to 1931-32 in thousands of yards.

Heading in the returns of production.	Production.				Imports.				Heading in the Import returns.
	1928-29.	1929-30.	1930-31.	1931-32.	1928-29.	1929-30.	1930-31.	1931-32.	
Chadars	13,196	16,906	10,962	7,921	6	5	..	..	Chadars.
Lungis and Dhutis	16,600	20,965	28,232	31,523	4	19	..	..	Lungis and Dhutis, Printed.
					250	341	94	22	Lungis, Dhutis and Sarongs, Woven.
					49	..	..	..	Lungis and Sarongs, Printed and Woven.
					303	360	94	22	
Drills and Jeans	34,417	43,161	35,691	45,620	10,529	15,254	4,376	5,195	Drills and Jeans, Printed.
					9,235	19,719	1,951	1,721	Drills and Jeans, Woven.
					19,764	34,973	6,327	6,916	
Dyed Greys	36,008	56,030	39,423	65,052	13,653	16,499	5,639	4,286	Shirtings. } Dyed.
					4,600	5,110	1,323	700	Checks, Spots and Stripes. } Dyed.
					94	54	15	40	Saris and Scarves. } Dyed.
					9,861	6,190	4,029	3,329	Twills. } Dyed.
					2,699	2,916	2,014	1,975	Drills and Jeans. } Dyed.
					30,907	30,769	13,020	10,330	
Striped Saris and Susis	197,787	242,766	235,407	301,032	16,152	15,348	4,966	1,267	Saris and Scarves, Printed.
					90	48	21	4	Saris and Scarves, Woven.
					573	246	25	54	Checks, Spots and Stripes, Printed.
					5,014	6,706	3,596	552	Checks, Spots and Stripes, Woven.

					2,411	1,622	429	145	Twills, Printed.
					7,987	7,444	1,156	396	Twills, Woven.
					4,946	7,298	4,267	8,475	Shirtings, Printed.
					6,097	5,479	836	283	Shirtings, Woven.
					43,270	44,191	15,296	11,176	
Cotton, Tweeds and Checks . .	47,[illegible]12	70,403	54,541	71,767	5,394	2,243	835	401	Coatings and Trouserings.
Others	19,165	26,800	22,271	22,508	2,781	1,856	286	615	Flannel and Flannelettes, Printed.
					782	395	294	96	Flannel and Flannelettes, Woven.
					1,607	1,487	413	1,110	Flannel and Flannelettes, Dyed.
					1,253	794	174	40	Unspecified, Printed.
					4,628	3,155	2,116	1,254	Unspecified, Dyed.
					449	761	200	94	Unspecified, Woven.
					11,500	8,448	3,483	3,209	
Not produced in India on any appreciable scale.	..	..	..	..	8,812	6,828	1,726	738	Cambrics, etc., Printed.
					14,060	12,862	5,159	5,350	Cambrics, etc Dyed.
					615	188	112	6	Cambrics, etc., Woven.
					51,152	38,401	16,059	11,104	Prints and Chintz (Printed and Woven).
					63	199	47	59	Prints and Chintz, Dyed.
					1,577	1,327	673	37	Sateens, Printed.
					15,080	8,103	3,740	3,489	Sateens and Italians, Dyed.
					966	607	310	463	Velvet and Velveteens.
					90,325	68,515	27,826	21,246	
TOTAL PRODUCTION IN THE BOMBAY PRESIDENCY.	364,895	477,031	426,527	545,423	261,469	189,504	66,881	53,300	TOTAL IMPORTS INTO BOMBAY PRESIDENCY.

APPENDIX D.

No. I.—*Statement showing the imports into the Bombay Presidency excluding Sind of Piecegoods made entirely of Artificial Silk.*

Name of country.	1928-29.		1929-30.		1930-31.		1931-32.	
	Yds.	Rs.	Yds.	Rs.	Yds.	Rs.	Yds.	Rs.
					(Seven months).			
United Kingdom	Separate figures for the first two official years are not available. The figures are incorporated in Statement No. III.				25,759	22,913	203,298	1,37,503
Germany					1,129	1,822	16,336	50,281
France					3,591	7,977	29,962	20,225
Italy					5,913	2,544	89,356	32,774
China					63,003	17,052	106,047	26,919
Japan					8,261,779	29,47,398	49,536,238	1,36,05,632
TOTAL					8,398,041	30,11,717	50,031,251	1,38,68,548

No. II.—*Statement showing the imports into the Bombay Presidency excluding Sind of Piecegoods made of Cotton and Artificial Silk.*

Name of country.	1928-29.		1929-30.		1930-31.		1931-32.	
	Yds.	Rs.	Yds.	Rs.	Yds.	Rs.	Yds.	Rs.
United Kingdom	Separate figures for the first two official years are not available. The figures are incorporated in Statement No III.				715,354	3,35,033	509,480	2,86,979
Germany					115,040	70,454	48,503	1,38,207
Switzerland					1,922,956	9,84,988	1,939,057	7,38,371
Italy					993,957	4,70,808	2,329,907	7,61,858
Austria					254,000	1,14,780	190,591	86,145
Czecho-Slovakia					823	2,710	4,091	12,041
China					264,065	89,400	3,271	6,528
Japan					9,481,513	41,51,608	,430,155	1,29,904
TOTAL					13,917,025	63,89,644	5,857,705	22,97,825

No. III.—*Statement showing the imports into the Bombay Presidency excluding Sind of Piecegoods made entirely of Artificial Silk and Piecegoods made of Cotton and Artificial Silk.*

Name of country.	1928-29.		1929-30.		1930-31.		1931-32.	
	Yds.	Rs.	Yds.	Rs.	Yds.	Rs.	Yds.	Rs.
United Kingdom	7,763,072	50,68,562	4,063,118	22,66,987	741,113	3,57,946	802,728	4,24,482
Germany	1,554,123	15,62,048	335,077	3,38,628	126,160	72,276	64,839	1,88,488
Switzerland	6,541,640	49,09,293	5,928,091	37,70,350	1,922,956	9,84,988	1,939,057	7,38,371
Italy	9,784,243	54,46,979	6,148,754	28,81,438	999,870	4,73,352	2,419,263	7,94,632
Austria	2,141,747	13,74,752	1,273,684	6,34,023	254,000	1,14,780	190,581	86,146
Czecho-Slovakia	358,920	3,49,031	32,857	39,881	823	2,710	4,691	12,041
China	9,945	9,558	1,723,987	7,71,844	327,068	1,06,452	109,316	33,442
Japan	2,102,090	17,72,328	16,340,499	89,00,515	17,743,292	70,99,006	49,980,398	1,37,35,535
TOTAL	32,150,156	2,15,98,945	37,038,857	2,92,08,092	22,315,066	93,51,361	55,938,956	1,61,66,378

No. IV.—*Statement showing the imports into the Bombay Presidency excluding Sind of Artificial Silk Yarn.*

Name of country.	1928-29.		1929-30.		1930-31.		1931-32.	
	Lbs.	Rs.	Lbs.	Rs.	Lbs.	Rs.	Lbs.	Rs.
United Kingdom	796,327	14,26,989	589,852	7,99,989	409,944	4,59,682	39[illegible],482	4,19,449
Canada	93,000	1,85,922	78,770	1,27,895	122,000	1,47,974	11,790	12,358
Germany	389,915	7,47,888	231,552	3,61,385	85,272	1,05,868	75,647	75,038
Netherlands	553,065	10,63,377	162,360	2,47,693	318,160	3,34,665	590,964	5,97,915
Belgium	81,017	1,15,192	36,411	45,483	74,000	72,048	109,200	1,09,350
France	313,664	6,02,785	346,697	4,62,205	51,721	56,824	261,114	2,57,357
Switzerland	326,592	5,96,254	338,718	4,45,568	74,404	51,933	258,430	2,71,283
Italy	2,763,162	47,29,302	2,657,847	35,03,038	3,050,535	34,48,036	3,204,562	34,49,721
Austria	26,250	39,749	4,000	5,466	..	..	..	..
Japan	..	..	180	442	19,300	18,929	369,819	3,75,537
TOTAL	5,348,165	95,17,004	4,472,398	60,36,639	4,206,336	42,2[illegible]014	5,316,094	55,73,708

(2) *Letter R. S. R. No. 2078 of 1932, dated the 18th June, 1932, from the Collector of Customs, Bombay.*

I have the honour to refer to the footnote to Appendix A accompanying my letter cited above and to enclose herewith a list (together with six spare copies) showing the weight per piece of white shirtings of those qualities for which this information was not previously available. Similar information in respect of the last item under printed shirtings in the same appendix is not at present available.

APPENDIX A.

White Shirtings.

Quality.	Weight of piece.
800	12¼ lbs.
45000	10¼ ,,
6020	11 ,,
388	11 ,,
5100	4 ,,

Collector of Customs, Karachi.

(1) *Letter C. No. 874/32, dated the 13th June, 1932.*

I have the honour to refer to your letter No. 176, dated the 25th April, 1932.

2. No statistics of the nature of the "Special record" mentioned in para. 2 of Mr. Hardy's report were maintained in this Custom House after 1929, but information has been collected now as far as possible and this is given in the Statement "A" appended to this letter.

3. Imports of dhutis are not separately recorded under the three sub-heads shirting, jaconet and mull dhutis. Figures of imports of the different kinds of dhutis for the last three years are given in Statement "B".

4. No information is available in regard to the counts of yarn used in the manufacture of Japanese longcloth and shirtings, but inquiries show that yarn of higher counts than 30s is used in very small quantities. Most of the Japanese cloth that is now being imported is made of yarn of 20s to 30s and only a few of 30s to 40s. Yarns of counts above 40s are seldom used.

5. Imports of different descriptions of coloured goods into this port during the four years ending 1931-32 are shown in Statement "C".

6. There has been no change in the classification of (*a*) Indian manufactures, (*b*) imports, (*c*) exports and (*d*) re-exoprts of cotton yarn and piece-goods since the publication of Mr. Hardy's report excepting the splitting up of the head "Fents" into two sub-divisions, *viz.*, (1) Fents not more than 9 yards in length and (2) Others, with effect from 4th April, 1930. The various sub-heads under which imports of grey, white and coloured piecegoods are recorded appear in classification list No. 1.

7. Imports of white yarn dhutis have all along been recorded as "Grey" dhutis and not as white at this Custom House.

8. The note book in which a record of the prices of piecegoods has been maintained is forwarded herewith. It may please be returned when you have finished with it. Rates of important qualities only have been recorded from 1st June, 1930. From the rates shown it will be seen that there has been a fall in prices all round notwithstanding the increase in duty.

Statement "A" —*Particulars of imports of important varieties of cotton piecegoods at Karachi.*

Quality No.	Dimensions.	Threads in warp and weft per ¼".	Weight.		Market value.		
			Lbs.	oz.	Rs.	A.	P.
	White Mulls (Manchester).						
78	37" × 20 yds.	17 × 14	2	9	4	0	0
88	41" × 20 yds.	17 × 14	2	10	4	5	0
98	43" × 20 yds.	17 × 14	2	12	4	5	0
B26	50" × 20 yds.	18 × 16	1	10	5	15	0
116	48" × 20 yds.	15 × 18	1	8	5	6	0
88	48" × 19 yds.	16 × 18	2	4	5	2	0
5009	50" × 19 yds.	17 × 12	1	12	3	14	0
36440	34" × 20 yds.	13 × 15	1	8	3	5	0
6777	42/4" × 20 yds.	16 × 20	3	4	4	14	0
543	42" × 20 yds.	14½ × 12	1	0	...		
87000	44½" × 18 yds.	15 × 11	2	8	3	1	0
972	44" × 20 yds.	17 × 14	1	8	3	6	0
42000	48" × 18 yds.	16 × 13	3	0	3	1	0
551	40" × 18 yds.	14 × 8½	2	0	2	5	0
B77	43" × 20 yds.	17 × 14	1	3	3	5	0
64343	34" × 25 yds.	15 × 11	1	13	3	2	0
57000	40" × 18 yds.	14 × 9	1	5	2	4	0
376	44" × 20 yds.	17 × 14½	...		3	12	6
295	41½" × 20 yds.	15½ × 13	...		3	2	0
84	38" × 20 yds.	19 × 17	...		4	5	0
8658	41½" × 18 yds.	14 × 9	...		2	10	0
39000	44" × 18 yds.	14½ × 11	...		3	2	0
35376	36" × 25 yds.	16 × 13	...		4	4	0
71324	34" × 25 yds.	14½ × 11½	...		3	7	0
951	43" × 20 yds.	16 × 13	1	0	3	6	0
637	41½" × 20 yds.	14 × 12	1	0	3	1	0
691	41" × 20 yds.	14 × 11	0	14	3	2	0
791	43" × 20 yds.	15 × 12	1	1	3	6	0
75000	49" × 18 yds.	13½ × 10½	2	0	3	10	6
3939	53" × 18 yds.	13½ × 10½	2	2½	4	0	0
9292	52" × 18 yds.	14 × 13	2	4	4	3	0
92092	52" × 18 yds.	15 × 12	2	3½	4	1	0
91091	46" × 18 yds.	15 × 12	2	0	3	10	0
71000	44" × 18 yds.	13 × 10	1	10	3	2	0
22000	40½" × 18 yds.	12 × 7	1	5	2	5	6
57057	40½" × 18 yds.	11 × 7	1	3	2	4	0
	White shirting (Manchester).						
Ram Lila	33" × 40 yds.	18 × 19	8	4 (for 41 yds.)	13	12	0
Akbar	34" × 40 yds.	15½ × 17	6	8 (for 41 yds.)	9	12	0
7505	30" × 40 yds.	12 × 14	6	0	7	8	0

Statement "A".—*Particulars of imports of important varieties of cotton piecegoods at Karachi*—contd.

Quality No.	Dimensions.	Threads in warp and weft per 1".	Weight. Lbs.	oz.	Market value. Rs.	A.	P.
		White shirtings (Manchester)—contd.					
[illegible]0000	36" × 40 yds.	26 × 26	7	0	18	4	0
"Khushee"	34½" × 40 yds.	19 × 18	7	0	11	8	0
Ganesh	34/5" × 40 yds.	19 × 20	6	14	11	0	0
"Saw"	35" × 40 yds.	19 × 20	...		12	1	6
555	34" × 40 yds.	19 × 21½	...		10	8	0
S. W. 11	34" × 40 yds.	18 × 18	...		10	8	0
Shivjee	33" × 40 yds.	19 × 18	...		10	0	0
Book	34" × 40 yds.	19 × 17	...		10	4	0
Nag	34" × 40 yds.	19 × 18	7	0	10	6	0
Tuffan	34" × 40 yds.	19 × 18	7	0	10	6	0
		Prints (Manchester).					
Blouse, prints, 377	29" × 50 yds.	16 × 13	7	0	...		
Gagras, 4200	31" × 40 yds.	16 × 15	5	2	13	12	0
Splits, 3406	19" × 25 yds.	15 × 13	2	2	4	8	0
Scarfs, 5626	52" × 2/5½ yds.	18 × 16	1	6	2	15	0
					Per yd.		
					Rs.	A.	P.
Jeans, B1062	27" × 50 yds.	26 × 13	8	12	0	4	0
Discharge Lusters, 1062	27" × 50 yds.	26 × 13	8	4	0	5	0
Shirtings, 3139	29" × 54 yds.	18 × 15	7	12	0	3	10
Chintz, 01922	28" × 50 yds.	18 × 20	7	12	0	6	0
Printed jeans, Guru Ramdas	27" × 50 yds.	28 × 13	9	[illegible]	0	5	6
Sasui, Punhoo	26" × 50 yds.	24 × 13	8	[illegible]	0	4	3
					Per piece.		
					Rs.	A.	P.
Sudhama	19" × 25 yds.	17 × 13	2	8	5	6	0
					Per yd.		
					Rs.	A.	P.
White ground shirtings, 191	27" × 60 yds.	15 × 13	...		0	3	0
Indigo printed shirtings, 580	30" × 54 yds.	16 × 16	...		0	4	7
Blue prints, 677	29/30" × 50 yds.	17 × 16	...		0	4	6½
White ground prints, 393	27" × 50 yds.	17 × 13	...		0	3	0
Fancy prints, 838	29" × 50 yds.	20 × 17	...		0	5	5
Prints, 666	29/30" × 50 yds.	16 × 16	7	0	0	4	8
Prints, 891	28" × 50 yds.	15 × 14	6	12	0	3	5
Prints, 760	30" × 53 yds.	16 × 15	6	13	0	4	7
		White lappets (Manchester).					
					Per piece.		
					Rs.	A.	P.
2114	42" × 10 yds.	15 × 19	1	6	3	0	0

Statement "A".—*Particulars of imports of important varieties of cotton piecegoods at Karachi—concld.*

Quality No.	Dimensions.	Threads in wrap and weft per ¼".	Weight.	Market value.
Satin Jeans (Manchester).				
			Lbs. oz.	Per yd. Rs. A. P.
R52	27/8" × 30 yds.	...	14 9	0 10 9
No. 30	28" × 40 yds.	...	12 10	0 9 6
Dyed (Manchester).				
				Per piece. Rs. A. P.
Turkey Red Twills, No. 7 . .	30" × 50 yds.	22 × 22	19 0	19 0 0
				Per yd. Rs. A. P.
Black mulls, 915 .	44" × 40 yds.	18½ × 14½	...	0 4 0
Khaki shirtings, 888 .	30" × 50 yds	18 × 14	6 6	0 3 9
Khaki shirtings, 32 .	29" × 41 yds.	14 × 14	3 12	0 3 0
				Per piece. Rs. A. P.
Turkey Red Shirtings, 6736 . . .	35" × 46 yds.	19 × 15	6 8	11 8 0
Turkey Red Cambrics, 4650	27" × 20 yds.	15 × 12	2 10	4 2 0
Grey Mulls (Manchester).				
4246	46" × 20 yds.	16 × 17	2 2	4 2 6
2511	48" × 20 yds.	12 × 15	1 12	3 2 0
26	48" × 20 yds.	13 × 15	1 4	3 3 0
White Stripe Dorias (Manchester).				
6161, 7171 . . .	42" × 10 yds.	8 × 11	0 11	1 12 0
White Nainsooks (Manchester).				
2884 .	36" × 18 yds.	...	2 4	3 6 0

Statement "B".—*Imports of the different kinds of dhutis for the three years ending 1931-32.*

	1929-30. Yds.	1930-31. Yds.	1931-32. Yds.
Plain Grey—			
Dhutis, saris and scarves—			
United Kingdom . .	...	...	...
Other foreign countries .	...	...	...
Bordered Grey—			
Dhuties, saris and scarves—			
United Kingdom . .	2,447,211	530,651	226,843
Other foreign countries .	1,141,328	120,000	...
White bleached—			
Dhuties, saris and scarves—			
United Kingdom . .	382,118	89,115	37,638
Other foreign countries .	...	500	...

STATEMENT "B".—*Imports of the different kinds of dhuties for the three years ending 1931-32*—contd.

	1929-30. Yds.	1930-31. Yds.	1931-32. Yds.
Printed goods—			
Dhutis—			
United Kingdom . .	...	...	...
Other foreign countries .	...	...	...
Dyed goods—			
Dhutis—			
United Kingdom . .	...	...	...
Other foreign countries .	...	...	...
Woven coloured goods—			
Dhutis—			
United Kingdom . .	...	...	...
Other foreign countries .	...	...	...

STATEMENT "C".—*Statement showing the yardage of the different descriptions of coloured goods imported into Karachi from foreign countries during the four years ending 1931-32.*

Description.	1928-29. Yds.	1929-30. Yds.	1930-31. Yds.	1931-32. Yds.
Printed goods—				
Cambrics including madapollams, muslins, mulls and jaconets .	8,356,350	5,416,983	1,727,218	2,222,070
Chadars	...	...	144	...
Checks, spots and stripes	60,668	90	...	...
Dhutis	...	...	...	...
Drills and Jeans . .	8,428,632	9,398,719	6,173,142	6,773,240
Flannels and flannelettes	3,976,556	664,876	307,628	850,385
Lungis	...	...	...	...
Prints and chintz .	3,362,737	2,400,161	3,765,928	1,717,783
Saris and scarves .	3,559,412	2,591,096	2,273,467	1,111,220
Sateens	835,442	554,644	150,590	709,569
Shirtings	22,122,262	15,814,664	9,114,621	17,331,881
Twills	14,972,943	8,863,965	2,685,038	3,070,168
Woven lungis and sarongs	...	...	...	...
Unspecified descriptions	90,019	174,328	22,704	6,244
Total of printed goods	65,765,021	45,879,526	26,220,480	33,792,560

Statement "C".—*Statement showing the yardage of the different descriptions of coloured goods imported into Karachi from foreign countries during the four years ending 1931-32*—contd

Description.	1928-29.	1929-30.	1930-31.	1931-32.
	Yds.	Yds.	Yds.	Yds.
Dyed goods—				
Cambrics including madapollams, muslins, mulls and jaconets	7,913,902	7,078,075	4,663,647	5,244,887
Chadars		439	...	...
Checks, spots and stripes	619,908	719,526	33,344	85,221
Dhutis	...	...		
Drills and jeans	579,253	229,735	223,490	330,208
Flannels and flannelettes	1,710,225	310,942	468,776	669,327
Italian cloth and sateens	9,922,784	3,301,290	2,863,856	4,505,987
Lungis	28,008	28,535	10,949	...
Prints and chintz	1,695		1,062	5,326
Saris and scarves			6,114	2,394
Shirtings	8,379,796	7,170,356	3,807,772	3,179,400
Twills	6,139,710	49,256,673	2,607,903	6,226,340
Woven, lungis and sarongs				
Unspecified descriptions	1,986,053	1,109,745	171,315	299,758
Total of dyed goods	37,281,334	24,874,316	14,858,228	20,548,848
Woven coloured goods—				
Cambrics including madapollams, muslins, mulls and jaconets	68,501	...		
Chadars	...	...		
Checks, spots and stripes	190,374	...		
Coatings and trouserings including cashmeres, serges and tweeds	2,528,911	1,550,880	961,417	1,078,743
Dhutis				
Drills and jeans	150,000		366,000	561,352
Flannels and flannelettes	6,179	313,422	77,554	562,551
Lungis and sarongs		28,207	10,500	
Prints and chintz	...	...	...	
Saris and scarves	...	...	...	
Shirtings	5,858,179	7,111,064	2,819,636	272,962
Twills	136,163	...	...	120
Velvet and velveteens	513,313	409,017	177,920	540,760
Unspecified descriptions	...	...		
Total of woven coloured goods	9,451,620	9,412,590	4,413,027	3,016,488
Grand total of printed, dyed and woven coloured goods	112,497,975	80,166,432	45,491,735	57,357,896

(2) Letter No. C874/32, dated the 21st June, 1932, from the Collector of Customs, Karachi.

I have the honour to refer to your letter No. 176, dated the 25th April, 1932.

2. In continuation of my letter of even number dated the 13th instant I forward herewith copies of replies received from Messrs. Japan Cotton Trading Company, Limited, Karachi, and Messrs. Toyo Menka Kaisha, Limited, Karachi, with copies of accompaniments thereto.

Copy of letter dated the 8th June, 1932, from Messrs. Japan Cotton Trading Company, Limited, Karachi, to the Assistant Collector of Customs for Appraisement, Karachi.

With reference to your letter No. C. 874 of 12th ultimo, we have the honour to enclose herewith information required by you.

As regards "Warp and Weft", actual counts used in them and weight per piece, we regret our inability to inform you as we have no such record, and such information can be had from the manufacturers only. We are generally purchasing or selling per piece or per yard and not by counts.

JAPAN COTTON TRADING COMPANY, LIMITED.

Description.	Dimension.	Market Value. Rs. A. P.
Grey goods—		
Asahi	36″ × 40 yds.	10 4 0
Soldier	36″ × 40 yds.	10 14 0
3-peaches	36″ × 40 yds.	
2-Snipes	36″ × 40 yds.	
Colour Ball	36″ × 40 yds.	
No. 3800	44″ × 38 yds.	10 4 0
No. 1400	44″ × 38 yds.	
No. 4488	44″ × 38 yds.	
Horse	44″ × 38 yds.	
No. 6200	38″ × 38 yds.	
Grey drills—		
3-Dogs	29½″ × 40 yds.	11 4 0
Swan	29½″ × 40 yds.	
Grey dhooties—		
No. 600	44″ × 2/10 yds.	2 0 0
Hoof	44″ × 2/10 yds.	
White shirtings—		
No. 11000	34″ × 40 yds.	...
No. 3535	33″ × 40 yds.	9 1 0
No. 800	34″ × 42 yds.	11 0 0
No. 9999	34″ × 40 yds.	10 10 0
No. 85000	35″ × 40 yds.	
No. 6020	35″ × 40 yds.	8 12 0
No. 8787	34″ × 40 yds.	
Nainsooks—		
No. 3030	28″ × 18 yds.	2 8 0

Description.	Dimension.	Market Value.
		Rs. A. P.
Dyed goods—		
Twills 3050 . . .	27/28" × 30 yds.	0 5 4½
Poplins . . .	27/28" × 30 yds.	
I. T. Red shirtings—		
No. 6000 . . .	27/28" × 25 yds.	
No. 17000 . . .	27/28" × 25 yds.	
No. 1100 . . .	27/28" × 25 yds.	4 5 0
No. 11000 . . .	27/28" × 25 yds.	
Dyed velveteens—		
No. 9688	21½" × 38/42 yds.	
No. 9688	21½" × 38/42 yds.	
Printed velveteens . .	21½" × 38/42 yds.	
Printed jeans—		
No. 31 etc., etc. .	27/28" × 30 yds.	5 8 0
Cotton prints—		
No. 800 . . .	27/28" × 30 yds.	
No. 675 . . .	27/28" × 30 yds.	
No. 111 . . .	27/28" × 30 yds.	
No. 112 . . .	27/28" × 30 yds.	
No. 113 . . .	27/28" × 30 yds.	
Striped twills . .	24/25" × 30 yds.	
Rayon goods—		
Brocades . . .	27/28" × 25 yds.	
Ditto	26" × 30 yds.	
Flannels . . .	28/29" × 47 yds.	

Copy of letter dated the 8th June, 1932, from Messrs. Toyo Menka Kaisha, Limited, Karachi, to the Assistant Collector of Customs for Appraisement, Karachi.

COTTON PIECEGOODS—ASSESSMENT OF—.

We are in receipt of your letter No. C 874 of 12th May, 1932, requesting us to furnish information regarding (1) Quality number, (2) Dimensions, (3) Number of threads in warp and weft per ¼" and (4) weight per piece of the important lines of cotton piecegoods imported by us.

In reply, we have to inform you that with regard to your enquiry 1, 2 and 4, we enclose herein particulars of same in full details on a separate sheet giving quality numbers, dimensions and weight per piece of important lines of cotton piecegoods imported by us while for your enquiry against No. 3 we regret as we have no particulars of same with us we are unable to send them on to you.

Toyo Menka Kaisha, Limited.

Fancies.

Articles.	Quality No.	Dimensions.	Market value. Rs. A. P.
Printed jeans . . .	5000	28″ × 30 yds.	5 8 0
Red shirtings . . .	600	27/28″ × 25 yds.	4 14 0
Ditto . . .	700	27/28″ × 25 yds.	5 12 0
Ditto . . .	98000	28″ × 25 yds.	4 4 0
Printed shirtings . .	PPP. 451	26″ × 30 yds.	5 2 0
Ditto . .	300	26″ × 30 yds.	
White shirtings . .	9090	35″ × 40 yds.	10 6 0
Ditto . .	9191	34″ × 40 yds.	8 6 0
Ditto . .	2020	34″ × 40 yds.	9 8 0
Ditto . .	6020	35″ × 40 yds.	8 12 0
Ditto . .	5835	34″ × 40 yds.	9 4 0
Ditto . .	8888	35″ × 40 yds.	10 12 0
Ditto . .	800	34″ × 42 yds.	11 0 0
Ditto . .	2600	36″ × 40 yds.	9 14 0
Ditto . .	2525	33″ × 40 yds.	
White mulls . . .	KSO	42″ × 20 yds.	3 7 0
Ditto . . .	KSO	36″ × 20 yds.	3 0 0
Ditto . . .	KYW	44″ × 20 yds.	3 14 0
Ditto . . .	4030	44″ × 20 yds.	4 6 0
Ditto . . .	4030	42″ × 20 yds.	4 2 0
Ditto . . .	4030	38″ × 20 yds.	4 0 0
Ditto . . .	4030	34″ × 20 yds.	3 11 0
White nainsooks . .	1919	25″ × 18 yds.	2 2 6
Ditto . .	2929	28″ × 18 yds.	2 6 0
Ditto . .	3939	36″ × 18 yds.	3 0 0
Ditto . .	4848	42″ × 20 yds.	3 14 0
Ditto . .	4949	44″ × 20 yds.	4 0 0
Ditto . .	4545	39½″ × 18 yds.	
Ditto . .	3232	31″ × 18 yds.	2 8 0
Ditto . .	3737	36″ × 18 yds.	3 4 0
Ditto . .	3838	36″ × 18 yds.	3 7 0
Ditto . .	5757	42″ × 20 yds.	3 10 0
Ditto . .	5858	44″ × 20 yds.	3 13 0
White shirtings . .	4800	34″ × 41 yds.	
Dyed drills . . .	3500	28″ × 30 yds.	
Rayon cloth . .	...	26″ × 30 yds.	
Red jeans . . .	797	28/29″ × 30 yds.	7 10 0
Ditto . . .	28	27/28″ × 50 yds.	12 12 0
Printed flannels . .	...	28/29″ × 44/47 yds.	
White jaconets . .	KKKK	40″ × 20 yds.	
Striped drills . . .	831	24″ × 30 yds. (6 lbs. about.)	
Velveteens . . .	4000	21/22″ × 30 yds.	

Greys.

Article.	Quality.	Dimensions.	Weight (about). Lbs.	Market va Rs. A.
G. Shirtings	Asahi .	36" × 40 yds.	12	10 4
Ditto	Asahi BB .	36" × 40 yds.	12	9 12
Ditto	Momo .	36" × 40 yds.	12·5	
Ditto	6688 .	44" × 38 yds.	10·7	
Ditto	6767 .	38" × 38/38½ yds.	8·25	7 4
Ditto	9696 .	38" × 38/38½ yds.	8·25	10 14
Ditto	Sepoi .	36" × 40 yds.	12	
Ditto	Asahi .	36" × 40 yds.	11	
Ditto	Saikyu .	36" × 40 yds.	12	
Ditto	4500 .	44" × 38/38½ yds.	10	10 6
Ditto	2002 .	38" × 38/38½ yds.	5·60	6 4
Ditto	1439 .	44" × 38/38½ yds.	6·30	6 12
Ditto	1229 .	37" × 38 yds.	5	6 0
G. Drills .	3 Dogs .	29½" × 40 yds.	14	11 4

(1) *Letter No. 167, dated the 22nd April, 1932, from the Secretary, Tariff Board, to the East India Cotton Association, Limited, Bombay.*

In connection with the Tariff Board enquiry into the Cotton Textile Industry I am directed to ask that you will be good enough to supply the Board with information on the points noted below:—

(i) Please refer to para. 55 of the Report of the Indian Tariff Board, 1927. Have there been any changes in the system of hedge contracts since the Board reported? What steps have been taken towards reducing the number and broadening the basis of cotton contracts? A full statement of the views of the East India Cotton Association on the points raised in the paragraph referred to is invited.

(ii) To what extent is the raw cotton now imported into India of the same quality as Indian long staple cotton? Does the present import duty on raw cotton materially help the Indian cultivator?

(iii) Does the present position of the world's cotton crops justify the assumption that there is overproduction? If so, can it be argued that a decline in the output of the Indian mills will adversely affect the Indian cultivator of cotton? This of course assumes that the countries to which Indian cotton is now exported may obtain increasing supplies of short staple cotton from other countries. It is in fact suggested that such a tendency is already noticeable, especially in the case of Japan.

2. I am to request that the reply to this letter with six spare copies may be sent as early as convenient, if possible, not later than the 15th of June.

(2) *Letter G./323, dated Bombay, the 24th June, 1932, from the East India Cotton Association, Limited.*

I am directed to acknowledge the receipt of your letter No. 167, dated the 22nd April, 1932, and to convey to you the following information on the points noted therein:—

Point No. 1.—1. There have been no changes in the system of hedge contracts since the Tariff Board reported in 1927. The Board of Directors

of the Association, however took necessary steps as recommended by the Tariff Board, with a view to find out if the views of the members of the Association had undergone any material change since the proposals for widening the Hedge Contracts submitted to the Representative Committee in 1925, had been turned down by that body.

2. The recommendations of the Indian Tariff Board were published in 1927 and in November of that year, the Bombay Millowners' Association addressed a letter to the Association inviting its attention to the recommendations made by the Tariff Board in para. 55 of their report and commending the observations made by that body to the Association for its earnest consideration and requesting for re-submission of the proposals of Messrs. Forbes Campbell and Company, Limited, as modified and accepted by the Board, to the Representative Committee for their reconsideration.

3. In making this request the Millowners' Association said that their Committee had reasons to believe that the attitude of those sections which were opposed to widening the Hedge Contracts was much more favourable than it was a year ago, and considered that in view of the recommendations made by an independent body like the Tariff Board, the proposals for widening the Hedge Contracts would stand a very good chance of being adopted by the Representative Committee of the Association.

4. The Board, on a previous representation made to them by the Millowners' Association in February, 1926, in connection with the proposed prohibition of trading in July Fine Oomra Contract, in which the latter had asked for widening the Fine Oomra Contract, so as to allow cotton one full class below the basis of the contract to be made tenderable against the contract, had expressed the view that no useful purpose would be served by submitting any fresh proposals for widening the Hedge Contracts to the Representative Committee for their consideration, as they felt that they would not meet with the approval of the trade as a whole until such time as they were further convinced of the necessity for the proposed changes in the Hedge Contracts. Although the Board adhered to the opinion that they had expressed in 1926, they decided, as suggested by the Bombay Millowners' Association, to circulate copies of the Millowners' letter, as well as, of para. 55 of the Report to the Representative Committee for an expression of their views and also to notify the trade with the object of eliciting the opinions of those members who were not represented on the Committee.

5. Replies were received from 19 members out of which three members were in favour of adopting the proposals under reference subject to certain modifications whereas 12 members were strongly opposed to the proposal for widening the existing Hedge Contracts. The late Mr. I. I. Mashruwalla had formulated a new scheme of revised contracts which as in the case of Messrs. Forbes Campbell and Company, Limited, involved the inter-linking of different growths of cotton. The Millowners' Association, with which Sir Ness Wadia agreed, expressed the opinion that, on the whole, the proposals of Mr. Mashruwalla were in the right direction and constituted the first step towards widening the contracts.

6. The late Mr. B. F. Madon and Mr. G. Boyagis had made out a strong case against the adoption of the proposals for widening the contracts (*vide* copies of letters hereto annexed and marked "A" and "B" respectively). The papers were put under circulation to members of the Board, but the question could not be placed before them for their consideration, before the expiry of the official year 1927-28, and there being several changes in the personnel of the Board for the year 1928-29, consideration of the same had to be held over until the new members had an opportunity of going through and digesting the contents of the papers in the case. The question was submitted to the Board in January, 1929, when it was decided to place the same on Agenda for April, 1929.

7. Eventually the question of widening the hedge contracts was discussed and considered by the Board in June, 1929, from the view-points of all the sections of the cotton trade and having regard to the opposition that the

proposals had encountered from all sections, with the exception of the millowner members of the Association, the Board did not deem it advisable to re-submit the proposed scheme of revised contracts to the Representative Committee for its approval as they were convinced that the prospects of the scheme becoming acceptable to the trade were insignificant. The Board felt that they would be doing a disservice to the trade if they were to ask the Representative Committee to decide upon forcing on the trade something that would not function.

8. In January, 1930, the Bombay Millowners' Association again made a representation to this Association in which they referred to the various representations made by them from time to time in the matter of widening the Hedge Contracts and pressed the view that the claim advanced by the traders and cultivators for the inclusion of Kumpta and Upland varieties under the Broach contract required to be favourably considered and urged that the by-laws regarding the Hedge Contracts should be so revised as to constitute these varieties as valid tenders against the Broach contract.

9. In view of the diverse criticism levelled against the existing Hedge Contracts the Board appointed a Committee consisting of 12 persons representing the then six panels of the Association and referred the letter from the Millowners' Association to that Committee for their consideration and report. However, in view of the appointment of the Cotton Contracts Act Enquiry Committee (Wiles Committee) in April 1930, the Board considered that the question of examining the Hedge Contracts was one that should be thoroughly gone into by the Wiles Committee and consequently the Committee of the Association did not proceed with the examination of the same.

10. The Wiles Committee, after a close examination of the view-points represented by the two schools of thought on this question, recommended that the existing Hedge Contracts be retained as at present with the addition only of the Kumpta and Upland growths of the Dharwar District in the Broach contract (*vide* paras. 16 and 17 of the Report of the Cotton Contracts Act Enquiry Committee).

11. The Board took steps to implement the recommendations made by the Wiles Committee by submitting relevant amendments to the articles and by-laws of the Association to the general body. The amended articles and by-laws were submitted to an extraordinary general meeting of the Association held on the 18th April, 1932, when emphatic objections were raised by several members to the proposed widening of the Broach Hedge Contract on the ground that it would tend to depreciate the price of the contract and also for the reason of dissimilarity between the styles of the two varieties of cotton. In view of the vigorous opposition that the proposal met with in the course of the debate on the subject, further consideration of the same was adjourned to a subsequent meeting in order to enable the President of the Association to discuss the same with those who had opposed the proposal with a view to find out if an agreed amended proposal could be framed and submitted to the general body of members for their approval.

12. The general consensus of opinion expressed at the informal meeting held for the purpose was that in view of a strong difference of opinion it was not desirable to expedite consideration of the same, particularly, having regard to the fact that before the proposed amendments could be finally approved by the Association and sanctioned by the Government, trading in New Crops (1932-33) would have started, in which case, there may be considerable confusion in the trade. It was, therefore, unanimously agreed that consideration of the scheme of widening the Broach Contract be re-examined and re-considered by the Board some time in October next, in time for the 1933-34 contract.

13. With regard to a full statement of the views of the Association invited by the Tariff Board on the points raised in para. 55 of the report, the Board desire to point out that whatever changes the Association may decide upon to make in the existing Hedge Contracts, require to be approved, in the first instance by a three-fourths majority of the members of the Associa-

tion present and voting at a general meeting, before the same are submitted to Government for sanction under section 3 (1) of Bombay Act No. XIV of 1922.

14. The Board consider that there are sound reasons for the Association not having taken any precipitate action in the matter of further widening of Hedge Contracts, as would be evidenced by the fate which the proposal for including Kumpta and Upland under the Broach Contract met within April last. The feeling in the cotton trade against revising the Hedge Contracts has been steadily hardening and the Board apprehend that any hasty decisions in the matter would act prejudicially on the interests of the cotton grower of India.

15. The Board cannot agree with some of the findings of the Tariff Board as given in para. 55 of their report as it appears to them that they are based on the views expressed by only one section of the trade, namely, the millowners in Bombay.

16. The first objection raised by the Bombay Millowners' Association to the present system of contracts is that in certain months of the year they are unable to make Hedge Contracts which can be used against their purchases of cotton or sales of cloth.

17. The Board submit that the Millowners' Association do not correctly appreciate the true significance and function of a Hedge Contract. There must be something fundamentally wrong in the Bombay Millowners' methods of operating in Hedge Contracts, and something additional must be responsible for the failure of the millowners to take advantage of the present scheme of contracts. In my Board's opinion, the Bombay cotton market has afforded adequate facilities for purposes of hedging, and the absence of any general complaint from the rest of the cotton trade in India against the present Hedge Contracts is a significant and cogent refutation of the contention of the millowners that the present Hedge Contracts are not sufficiently wide for purposes of hedging.

18. The second objection raised by the Bombay Millowners' Association to the present system is "where one contract expires, no new contract is available to which sales or purchases of hedge can be transferred". In support of this objection they give as an example the Broach Contract, the months of delivery for which are April-May and July-August. They state that, "to avoid the risk of being saddled with actual cotton, the contract is to be liquidated *by the end of March at the latest*, as the July-August contract, when in operation, is too speculative to be used by mills as a hedge, a fact which has been recognised by the Board of Directors of the East India Cotton Association, which has, from time to time, prohibited trading in this position. The result is that, as no new contract opens until the beginning of June, the mills are left uncovered from the middle of March until the beginning of June".

19. The reply to the above objection is that trading in Broach Contract, July-August delivery was prohibited in the year 1923-24 owing to the shortage of the Broach crop and the scarcity of other cotton tenderable against the contract with a view to obviating a "squeeze" in the contract in the months of delivery. This step was rendered necessary not because of any inherent defects in the contract itself, but owing to natural causes over which neither the Association nor the cotton trade had any control. It may be mentioned that this was the only occasion when the Association exercised the power vested in the Association to prohibit trading in this contract.

20. The statement made by the Tariff Board in their report that no new contract opens until the beginning of June is not quite correct, as under by-law 47 as it stood in 1926 the Board with the approval of the Representative Committee of the Association had power to permit trading from 1st May. In 1927, by-law 47 was revised with a view to giving the Board power to permit trading in new crops from 1st May and even from 1st April with the consent of the Representative Committee of the Association. This by-law has been further amended by virtue of which it is competent to the

Board, to permit trading in new crops in any year from 1st April without the previous approval of the general body of members of the Association. This, therefore, meets the millowners' argument that mills are left uncovered from the middle of March until the beginning of June.

21. The Board fail to understand why the millowners do not find the existing Hedge Contracts sufficiently attractive when the other sections of the trade, namely, Exporters, Importers, Commission Agents and Jethawallas who carry large stocks of cotton from year to year, consider the existing scheme of contracts sufficiently wide for the purposes of hedging their cotton. The stocks of cotton carried over by these sections of the trade from year to year run into several lakhs of bales and it may reasonably be inferred from the absence of any complaint from these sections of the trade, that they are satisfied that the present Hedge Contracts afford reasonable protection by way of insurance against their stocks of ready cotton. Further, not only cotton merchants in Bombay, but also operators in Liverpool and in the Continental markets are known to be making a reasonably free use of the Hedge Contracts in the Bombay market. This fact in the opinion of the Board is a proof, if any proof were needed, of the adequacy and broadness of the present contracts. The two countries, namely, China and Japan which buy considerably larger quantities of Indian cotton than what the Indian mills do, have also been operating on a very large scale in the Hedge Contracts, and this would not be feasible, if the contracts were narrow, and not adequate enough for their operations in forward cotton.

22. With regard to the remarks made by the Tariff Board in their report on the system of buying cotton "on call" the Board fear that the Tariff Board has failed to understand the exact implications of that system, as they seem to consider that under this system a part of the risk attendant on the purchase of cotton is passed on to the broker whereas, as a matter of fact the risk is passed on to the seller of the cotton. In Europe and America, where hedges are not much used by the spinner, the system of buying "on call" is widely resorted to. My Board are cognisant of the fact that cotton merchants in Bombay have always been ready to sell cotton "on call" as in America and Liverpool. The millowners in Bombay do not appear to have given the system of buying cotton "on call" a fair trial yet although they use it more now than they did in 1926-27.

23. The Board are definitely of the view that the millowners do not correctly appreciate the exact position with regard to Hedge Contracts, inasmuch as they seem to ignore the interests of the vital element in the trade, and which element, like Insurance Companies, undertake to carry the amount of burden and risk of a large volume of trade in Hedge Contracts. This element consists of jobbers, who are naturally not prepared to incur any greater risk than at present following upon a further widening of the Hedge Contracts. Under the present scheme of contracts they are carrying an enormous risk and it would be unfair to saddle this vital element in the trade with further risk consequent upon the broadening of the Hedge Contracts.

24. The course of prices of cotton from 1926-27 to date has been a steadily low one and with the general depression in the trade all over the world there has been a stiffening of the opposition to further widening of the Hedge Contract. The prices available to the grower during the last years have been ruinously near or below the cost price and the Board hesitate to force on to the trade here any change which may prejudice the normal operator in the hedge market.

25. The Board are inclined to hold with the trade in the view that the broadening of Hedge Contracts might generate weakness in the cotton market and that one of the questions to be tackled is in regard to the provision of adequate facilities for financing the cotton crop up-country, particularly, in order to enable the grower to hold his crop as a set off against this further element of weakness in the cotton market. The present financial facilities at the disposal of the cotton grower and middleman for purposes of

orderly marketting of the crop are small. The Board apprehend that in the absence of definite provision of financial facilities to the cultivator and middlemen up-country engaged in the cotton trade, any attempt on the part of the Association at forcing radical changes in the present system of Hedge Contracts on the trade, is bound to meet with a great deal of opposition from the trade and would prove abortive.

26. The Board have noted the following remarks made by the Tariff Board which will be found recorded at page 130 of Volume I of their report:—

> "It was urged before us that the adoption of a single Hedge Contract or the widening of the existing contracts would be detrimental to the interests of the cultivator of cotton, as it would tend to lower the price of all varieties of cotton. We are unable to appreciate the force of this argument. The number of Hedge Contracts has already been reduced from seven to five and of these only three are extensively used. *This does not appear to have had any effect in enabling the mill industry to get cotton more cheaply.*"

My Board submit that if the idea underlying the suggestion made by the Tariff Board for widening the Hedge Contracts is to secure for the mills in Bombay cotton more cheaply, the opposition to it is justified. Moreover, cheaper price of cotton would mean a less return to the cultivator for his produce, and this economic fact appears to have been totally lost sight of by the Tariff Board. The statement made by the Tariff Board in their report is apt to create suspicion in the minds of jobbers as to the motive of the millowners who are so emphatic on the question of widening the Hedge Contracts. Further, the millowners advance the plea that the broadening of the Hedge Contracts would prevent "corners" but the experience of the last ten years during which period only one attempt at "corner" was made, and which too, ended in an abject failure, has entirely falsified that plea.

27. On the Board of Directors of the Association as at present constituted, there are three representatives of the millowner members, namely, Mr. Lalji Naranji, Mr. Ahmed F. Currimbhoy and Mr. H. F. Milne. These representatives dissent from the views as expressed in paras. 13 to 26 inclusive.

Point No. 2.—28. The raw cotton imported into India is mainly of long staple variety and in order to appreciate the percentage of such imported cotton, as compared with long staple cotton produced in India, figures have been worked out of Indian cotton crop classified by staple lengths and also of imports of cotton into India from 1st September, 1929 to 1st May, 1932. Tables annexed hereto and marked "C" and "D", respectively, which have been adopted by the Indian Central Cotton Committee, give the estimated quantity of long staple cotton ⅞ of an inch and above, produced in India and the quantity of commercial long staple cotton available for consumption. In the latter case only those types, which are capable of spinning 24s warp counts and above, are included. It may be pointed out that cotton of ⅞ of an inch in length which owing to any inherent lack of strength may not be capable of spinning 24s and is excluded from this though it may come under the long staple classification.

29. Tables annexed hereto and marked "E" and "F" give the quantity of long staple cotton imported into India during the last 2½ years. As India does not produce any cotton above one inch staple, except for the 8,000 bales of 1$\frac{1}{16}$" staple grown in the Punjab, the only cottons which can be said to compete with Indian long staple cotton are those from ⅞" up to 1" in length.

30. It would be evident from these tables that the imported cotton which competes with the long staple cotton grown in India is Americans. Of these about 76 per cent. is of the same staple length as Indian cotton. Egyptian and African cottons imported into India are all over one inch staple in length, and therefore, they are not competitive.

31. It would be obvious from the figures given in these tables that the bulk of the cotton produced in India consists of short staple, of which India has a virtual monopoly. There is again practically no production in India of cotton above 1" staple except to the extent already indicated above. The only competition which India has to face from outside is in respect of a crop of about 7 lakhs of bales of long staple cottons available for consumption. The imposition of an import duty on cotton, would, therefore, benefit the growers of cotton in India only to that extent. The Board believe that ordinarily the growers of cotton between ⅞ths" and 1" staple, should have benefited by the imposition of the duty since October last but they cannot venture upon a definite expression of opinion for the reason that the present import duty of half anna per lb. on raw cotton has been in operation for a comparatively short period of 8 months.

32. Considering the peculiar conditions of the year and the many factors which have influenced the price of cotton since the duty was imposed, *e.g.*, a big crop of high grade American, the smallness of the Indian crop and the world-wide depression in the commodity prices, the Board feel that it is a difficult task to gauge the extent of the advantage that may have accrued to the cultivator consequent upon the imposition of an import duty.

Point No. 3.—33. With regard to the first part of the question, the Board are of the opinion that there is over-production in the respect, that for the present, the supply is greater than the demand. The Board are further of the opinion that, other things being equal, a decline in the output of the Indian mills will adversely affect the Indian cultivator of cotton, as the quantity of long staple Indian cotton available for consumption is wholly consumed by Indian mills. If the Indian mills were to decide upon reducing their output, a proportionate quantity of cotton, which would otherwise be consumed in India, would be thrown upon the market of exportable surplus with depressing effects. It is the working of the same principle in times of strikes in the textile industry which results in a large quantity of cotton being thrown upon the market, which would otherwise have been consumed by the mills, thereby depreciating the price in the whole of the cotton market in India.

34. The Board are of the opinion that the over-production, which at present exists, bringing in its train lower values which narrows the difference between the different styles of cotton, has caused the superior styles to enter into competition with the shorter staple styles, and this has brought about to a certain extent a substitution of the former for the latter as the advantage gained by the mills from greater production more than compensates for the higher price paid.

Copy of letter No. 2297/30 (a), dated the 24th November, 1927, from the Secretary, Millowners' Association, Bombay.

In continuation of the correspondence which has taken place during the past three years between my Association and yours regarding the advisability of broadening the existing Hedge Contracts, I am desired to invite the very careful attention of your Board to the recommendations made by the Indian Tariff Board (Cotton Textile Industry Enquiry) in para. 55 of their report.

2. The Tariff Board endorse the principle laid down by the Government of India in their letter dated 25th September, 1920, to the Government of Bombay wherein it was stated :—

> "As regards Hedge Contracts, the Government of India recognise that the ideal to aim at is that there should be, as in the Liverpool and New York markets, a single Hedge Contract. But they understand that the introduction of a single Hedge Contract is opposed by the great majority of Bombay traders and they will not object to a reasonable number of such con-

tracts provided that in framing the conditions of each contract the principle is observed that the contract must be wide enough to prevent cornering by speculators."

3. As a preliminary step towards the attainment of the ideal set forth in the Government of India's letter, the Tariff Board urge that another attempt should be made to get the Representative Committee of your Association to adopt the proposals made in 1925 by Messrs. Forbes Forbes Campbell and Company which in the words of the Tariff Board "represent a reasonable and workable compromise" which has been accepted both by the Committee of this Association and by the Board of Directors of your Association. The Tariff Board also express the hope that the Representative Committee "realising the necessity of strengthening the position of the Bombay Mill Industry in all possible ways, with corresponding advantage to the cotton trade as a whole, will find itself in a position to accept them".

4. My Committee desire to commend the above observations of the Tariff Board to the earnest consideration of your Directors and to request them to place the proposals of Messrs. Forbes Forbes Campbell and Company once again before the Representative Committee for their consideration. My Committee venture to suggest that the 55th paragraph of the Tariff Board's report might with advantage be brought prominently to the notice of the members of the Representative Committee as an indication of what an impartial and authoritative body like the Tariff Board has to say in this matter.

5. My Committee consider it unfortunate that proposals which had met with the approval of your Board and this Association should have been rejected by the Representative Committee of your Association owing preponderantly to the opposition of certain elements and their inadequate appreciation of the true and legitimate purpose and nature of Hedge Contracts. In your letter No. 2371-H. E. 2. dated the 12th March, 1926, addressed to this Association you stated that your Board did not consider that any useful purpose would be served by placing before the Representative Committee any proposals for widening Hedge Contracts until such time as the trade as a whole were "further educated to a full significance of and necessity for the proposed changes in the Hedge Contracts". My Committee have reason to believe that the attitude of those sections which were opposed to widening the Hedge Contracts is much more favourable than it was a year ago and consider that in view of the recommendations made by an independent body like the Tariff Board, the proposals of Messrs. Forbes Forbes Campbell and Company would stand a very good chance of being adopted by your Representative Committee.

6. My Committee trust your Board will do their best to impress upon the Representative Committee the urgent necessity of reform and will take an early opportunity of convening a meeting for the consideration of Messrs. Forbes Forbes Campbell and Company's suggestions or any other scheme of a similar character for the same object.

"A."

Copy of letter dated the 9th February, 1928, addressed by the late Mr. B. F. Madon.

With your letter of the 30th January, 1928, you favour me with extracts of the letter of the 27th November last from the Millowners to your Association, and extracts of the Report of the Tariff Board, as well as certain proposals by Messrs. Forbes Forbes Campbell and Company, and ask for my views.

2. In the first place, I find that there are several unwarranted statements in the two enclosures which should not go unchallenged, and I shall therefore first deal with them.

3. The Government of India say that there is a single Hedge Contract in New York and Liverpool. I am afraid they have been sadly misled, because it is only a half-truth. There is a single contract for middling American in both places, but there are other contracts to deal with other kinds of cotton which differ from middling in spinning value. Thus we have the "Empire" contract for cottons other than American. We have again a separate contract for Egyptian Sakels. It will thus be seen that the claim that there is one contract only for all kinds of cotton is quite unwarranted and the whole of the argument of the millowners, based on such claim, entirely falls to the ground. It is not even true to say that there is only one contract for all cotton grown in a particular country. Alexandria has two separate contracts for their Sakels and uppers. The history of the establishment of the Empire Contract itself shows that the best authorities in Liverpool are against one contract for widely varying growths. Liverpool on this account refused to admit Indian Cotton as good tender against their American Cotton Contract, although in character and spinning value our Punjab-American or "Broach 1027-A" are much nearer to low middling than to our Bengals or Oomras. In the face of the opposition of Liverpool to admitting even such cottons to their usual American Contract, the claim that they have a single contract for all kinds of cotton is to say the least, misleading, and confirms the contention of those who, like me, insist that there should be separate contracts for cottons of widely different spinning values.

4. The millowners in their above mentioned letter refer to the inadequate appreciation by the opponents of a single contract of "the true and legitimate purpose and nature of Hedge Contracts". If it means anything, it amounts to saying that Hedge Contracts and sheer gambles, that the buyer of such contracts never means delivery, and that, therefore, it does not matter tuppence what the varieties tenderable against the contracts are. I am afraid, put thus bluntly, it will stagger even the millowners. They forget that whoever buys cotton in the vaidas has to keep in mind the cotton he is going to get, and *the possibility of finding a market for such cotton if and when tendered.* He does not want rubbish thrown at his head which he would find it most difficult to get rid of. He is not singular in this, as his prospective customers—the millowners—*themselves run away from the rubbish that might be thrown at their heads.* This is why they told the Tariff Board that "to avoid the risk of being saddled with actual cotton the Broach Contract had to be liquidated by the end of March" (your extract page 4, line 16). When they fear this under even the present Broach Contract, which is all very spinnable cotton, I cannot understand their asking for a far wider contract under which any rubbish can be thrown at the head of the buyer. If the mills who *can use* cotton for one or other of their counts are so afraid, is it not clear that the dealer or speculator, who is not himself the user, should be still more afraid of such contract? Is this man, who is so afraid of the contract, going to give the highest price for it? Is he going to be less afraid of a still wider contract against which he might be saddled with more rubbish? This one admission of the millowners proves to the hilt the claim of men like me that any further widening of the contracts will greatly depreciate their value, and hit the cultivator *because it is the vaida quotations that forms the basis of the price offered to the cultivator up-country.*

The millowners led the Tariff Board to think that a single Hedge Contract was the ideal to be aimed at. If this means that the contract should permit of any kind of cotton from low Bengals to Cambodias or Karungannes, then I am compelled to say that this statement is not warranted by experience of the leading markets. I have already shown above that this is contrary to the actual practice in both Liverpool and Alexandria. I will not say a few words about New York. There, too, the tenderable quality was so lowered that it unduly depressed prices and raised very serious agitation on the part of the cultivator. The Government had then to step in, and to enforce its own grades for trading in American, called Universal

standards, and after a great deal of opposition all European markets including Liverpool had to fall in with it. Even Liverpool had to narrow its contract some years ago, instead of widening it as the millowners want. Some years ago, it was with a "good ordinary" clause, *i.e.*, very low cotton would be tendered. This was changed to "nothing below low middling" cutting out all the cottons comparable to our Khandesh and Bengals. New York is even narrow; it is "nothing below middling universal standard" This cut out and made untenderable some 70 or 80 lakhs of bales of the 1926-27 crop. It will therefore be seen that not only is a single contract considered right for all cottons, but that both Liverpool and New York have made their contracts narrower.

The explanation is to be found in the remarks of Mr. Bryce-Muir, President of the Liverpool Cotton Association to explain why Liverpool refused to have a single contract for cottons from America, India or Africa. He said:

> "The Association had decided that in their view *the tendering of outside growths of cotton which were not freely marketable every day as American was might depreciate the futures contract.*"

and this was why they set up a separate contract called the Empire Contract, and I cannot understand why, in spite of this, Liverpool is quoted to us as authority for making fewer contracts here.

One argument in favour of fewer contracts is stated to be that "the contract must be wide enough to prevent corners by speculators" (letter of the Government of India, dated the 25th September, 1920). The Tariff Board said this in different words when they claimed that the narrowness of our contract made it easier for speculators to raise prices artificially by means of a squeeze (page 7 of your extract). Both the Government and the Tariff Board evidently had no notion that the same thing happens in both New York and Liverpool, and, in Liverpool, in both the American and the Egyptian Contracts. The following quotations will show what I mean:—

AMERICAN COTTON.

Different months of same crop.

	October.	July.
3rd October, 1921	14·53	12·78
3rd October, 1922	12·07	11·49
3rd October, 1923	15·73	14·38
3rd October, 1925	12·05	11·90
3rd October, 1926	7·03	7·40
3rd October, 1927	11·54	11·53

Current crop as against new crop.

	December.	October.
3rd November, 1921	12·08	10·70
3rd November, 1922	13·97	12·45
3rd November, 1923	18·34	15·61
3rd November, 1924	12·83	12·49
4th November, 1925	10·08	10·29
3rd November, 1926	6·72	7·13

EGYPTIAN COTTON.

	Same crop.		New Crops.
	January.	July.	December.
2nd January, 1925 .	29	26·25	21·90
	March.		
11th February, 1925	34·10	30·75	23·50
20th March, 1925 .	37·50	34·30	26·10

What else is it but a squeeze when the *same* cotton is worth as much as 1·75*d*. more for American October Vaida than for the following July, although the latter includes nine months warehouse-rent and insurance, and it is both cotton of the *same* crop. The same on a more exaggerated scale can be frequently seen in Egyptian cotton. And yet neither of these leading markets have thought of lumping all kinds of cotton in a single contract to prevent this repeated occurrences of squeeze.

I therefore submit that if your Association is to be guided by the examples of New York and Liverpool, it will not allow itself to be stamped by such talk of "squeezes", but see that the contracts are so arranged that there is no danger of the buyer being overwhelmed with any odd rubbish and so fighting shy of them.

That such will be the result can be seen from our own past experience. In your annual report for 1924-25 there is the following pregnant remark "the fully good machine ginned Oomra Contract for the fifth year in succession was not traded in." *Fifth year in succession!* Is it not proof enough that a contract which threatens to throw unsaleable stuff on the buyer will be avoided? If you compel him to trade in such contract, is it not clear that he will try to keep a far wider margin of safety, *i.e.*, offer a much lower price than he would otherwise do.

I would also draw attention to the fact that it is not only fear of rubbish being thrown at him that deters a buyer. The fear of good, but not freely saleable, cotton being thrown at him also proves a deterrant. The proof of it is our Southerns Contract which is given a wide berth by operators. This is why Mr. Bryce-Muir considered "free marketability every day" an essential condition for admission of a variety to the futures contract.

As for the squeezes, of which so much is made of by the millowners, the remedy lies in measures advocated in my letter to your Association dated 29th April/1st May, 1925. I do not like to lengthen this letter by repeating all I said therein but will only summarise the measures there advocated, *viz.*:—

(1) Making a short-seller, who fails to deliver, a defaulter.

(2) Making tender of a lot that had been already *once tendered and rejected* tantamount to a default as in "1".

I also think two other measures will greatly conduce to the same and, *viz.*:—

(3) Blind Surveys.

(4) Stipulation that cotton already warehoused in independent warehouses specially set apart for the purpose and already surveyed and passed shall alone be good tender as in New York.

As for my views on the particular suggestions of Messrs. Forbes Forbes Campbell and Company, I beg to refer you to the separate note attached

Remarks on the proposals of Messrs. Forbes Forbes Campbell and Company.

Contract No. I—Fully Good Bengals.—This contract is already avoided by most dealers and trading is difficult except at several rupees above or below current rates but those who do deal in it will know what they are going to get. Therefore this can stand as it is.

Contract No. II—Fully Good Broach.—I see no objection to inclusion of the higher varieties Tinnevellies—Karungannis and Cambodia but am opposed to the inclusion of C. P. No. 1 as it is quite a different style of cotton that should go in with the Oomras Contract.

As for deliveries, I don't see why it cannot be *every* month separately from March to September.

Contract No. III—Fine Oomras.—I don't see any objection to tendering of all higher cottons, *i.e.*, those of the Broach Contract but am strongly opposed to "the addition of stations at present tenderable against the Fully Good Oomra Contract and Jalna" as proposed.

If this is permitted the contract will tend to be left alone by the dealers as the Fully Good Oomra Contract has been for the past 5 or 6 years.

[The millowners' side is not the only side to this question. There is the trader and the exporter. The mills will generally be sellers of the Vaida as hedge or for cotton "on call". The trader and the exporter will be frequently purchaser of the vaida as hedge against sales of particular qualities to Europe, Japan, or locally. The widening of the contract as proposed will create a very difficult situation for this class of members. The calculation of the probable "ons" or "offs" will become a very hazardous operation, and make trading a gamble. It is not going to benefit the mills either, because if the contract is depreciated as proposed, the basis ("ons") will have to be raised for the specific qualities that they wish to buy for stock. If such cotton is higher the price at time of covering it will show unexpected profits or losses owing to wild variations in the basis (the "ons") I therefore consider the present proposals disadvantageous to both traders and mills and am opposed to their introduction.]

As for deliveries, I do not see why it cannot be very every month separately from January to September.

The margin for passing should be only "½ class off fine" throughout. The proposal to make it "1 full class off" for July-September is merely bringing in the F. G. Oomra Contract by a side door. We are constantly told to follow the model of Liverpool and New York. Is there any precedent in these markets for lowering the tenderable grade at the end of the season to get over the difficulty of scarcity of tenderable grades? I know of none. Then why here?

The only right remedy is to provide for dealings always 12 months ahead, *i.e.*, next January or March to open as soon as the present January or March is closed, and so on. This will provide the necessary market for *bonâ fide* hedges for both mills and traders. Then any one that remains a seller in some end-of-season month will do so at his own risk, and cannot claim that he had no suitable vaida to trade in.

Contract No. IV—Good Southern.—This contract has never been popular although it is narrow enough to be easily liable to a squeeze, and it has—so far as I know—never been squeezed. The reason is that those who deal in futures attach very great importance to the "free marketability from day to day" of the cotton that may be tendered in a contract and good *Southerns* are *not* such a free market.

There is therefore no sense in widening this neglected contract. I would rather do away with it altogether, as Contract No. II will now give all that is needed in a futures market for operators in Southerns.

"B."

Copies of letter and annexure dated the 16th February, 1928, addressed by Mr. G. Boyagis to the East India Cotton Association.

I have to acknowledge receipt of your circular letter dated the 30th of January enclosing copy of letter No. 2297/30 (a), dated the 24th November, 1927, addressed to your Association by the Bombay Millowners' Association and copy of extracts from the report made by the Indian Tariff Board, and enclose herewith my comments on the subject matter concerned.

Comments on the proposal for modifying the present Hedge Contracts contained in the Annexures A, B and C to the letter of the East India Cotton Association dated the 30th of January.

ANNEXURE A.

Para. 2.—The statement made in the last part of this para. is correct as regards the feeling in the trade at present.

Para. 3.—What is stated in the last part of this para. will not be the case, as although the millowners think that a single Hedge Contract, or drastic modifications in the existing Hedge Contracts, will benefit them (which I will endeavour to disprove lower down), there will certainly be no advantage to the other sections of the Cotton Trade. This will be explained later on.

ANNEXURE B.

Para. 55—3rd and 4th Sentences.—Even the larger mills who have resorted to buying direct from up-country have not found the system altogether satisfactory, as they have to rely implicitly upon the selection of up-country agents. Therefore, should any mistake be made in selection, the mill has to stand the loss, and I understand that this risk has caused some of those mills, who had adopted this policy, to restrict direct purchases as mistakes in selection and frequent. When buying from merchants, the mills are absolved from this risk, as the seller must deliver equal to the basis sold upon, and pay, in the event of delivering "off" the basis, a corresponding allowance. Further, if the delivery is "off" beyond a certain limit, the mill has the right of rejection and buying on account. Apart from this, respectable merchants will always withdraw any lots that a mill may not want to take delivery of if it considers same inferior to the basis contracted upon. This is obviously a great advantage over buying direct as under the latter method the mill will have to accept cotton which, in the case of a very bad mistake in selection, it might not be able to use for the purpose the cotton was bought for, and this without any compensation. When buying ready in Bombay no mistake in selection should arise, as mills presumably buy what they require.

It is stated towards the end of para. 55 that in the Bombay market, as organised at present, it is not possible for mills to effect a satisfactory hedge against purchases of cotton or against Forward Contracts in yarn and cloth for which cotton has not already been secured, and that this introduces a speculative element into their transactions. I think, it can definitely be stated, without much fear of contradiction, that no matter what new form of Hedge Contract may be introduced, it obviously would never constitute a satisfactory hedge against stocks of yarn and cloth, or that it would hold any advantage in this respect over the present form of Hedge Contracts. On the other hand, as a hedge against Forward Sales of yarn and cloth, it appears to me that the greater the number of Hedge Contracts the better for the mills, as it would enable them to buy a contract closely approximating to what they have sold. For example, if a mill has sold 6½s, they could buy the Bengal Contract for 10s to 16s the Oomra Contract and above, the Broach or Southern Contract, whereas, if they could only buy a Single Contract, it would bear much less relation to what they have sold as compared to the aforesaid contracts, as there would be cotton tenderable against such a contract differing in value probably to the extent of

hundreds of rupees per Candy, and it must be remembered that the differences for the cottons contained in such a contract would be liable to fluctuations at varying intervals. As a hedge against purchases of cotton I do not consider that the mills have so far given the present Hedge Contracts a fair trial, because, I understand that it was generally and is still in some cases, a firm conviction with the mills that to have anything to do with the Hedge Contracts is rank gambling. Fortunately, it appears, mills are becoming more enlightened, and are gradually coming to see the advantage of using them, but as I say above, I do not consider they have yet used the existing form of Hedge Contracts to anything like the extent they might be used.

A further protection to a mill in respect of purchases of cotton is a system of buying "on call", which is largely in vogue in other countries, but which has only been introduced into India very recently. Some mills have seen the advantage of this system and it appears to be slowly taking on.

Coming to the statement made at the bottom of page 3 end top of page 4, it is a correct review of the facts as they stand to-day.

Further down on page 4, it is stated that to avoid risk of being saddled with actual cotton the April-May Broach Contract has to be liquidated at the end of March at the latest and that the mills are left uncovered for 2½ months, *viz.*, from middle March until the beginning of June when the new April-May Broach Contract opens owing to the July-August Broach Contract being too speculative to be used as a hedge. This is not correct as matters stand at present as trading in new crop April-May Broach, December-January Oomra and December-January Bengal is now permitted by the East India Cotton Association from the 1st of May. In regard to the July-August Broach Contract everything depends upon the size of the Broach and the Dhollerah crops and also the rate at which these crops are taken off the market. In seasons producing good crops this contract is safe as a hedge against purchase of cotton and when short, a good cover against sales of yarn and cloth. Therefore, it is not a correct representation of the facts to say that this contract cannot be used as a hedge in any event.

I do not see the force of the contention raised at the foot of page 4 and top of page 5. The essential point, in my opinion, is not that the Hedge Contract shall be open for delivery for so many months, but whether one can be hedged throughout the year and I show below that this can be done with the existing live contracts. The first column shows the months of the year and the second column the contracts that can be traded in during each month.

January	April-May—Broach. March—Oomra. March—Bengal.
February	April-May—Broach. July-August—Broach. March—Oomra. March—Bengal. May—Oomra. May—Bengal.
March	April-May—Broach. July-August—Broach. May—Oomra. May—Bengal.
April	July-August—Broach. May—Oomra. May—Bengal.
May	July-August—Broach. New Crop— April-May—Broach. December-January—Oomra. December-January—Bengal.

June	**July-August—Broach.** **New Crop—** **April-May—Broach.** **December-January—Oomra.** **December-January—Bengal.**
July **August** **September** **October** **November**	**New Crop—** **April-May—Broach.** **December-January—Oomra.** **December-January—Bengal.**
December	**April-May—Broach.** **March—Oomra.** **March—Bengal.**

In addition to the above, during May and June, if the supply of Oomra and Bengal warrants, the Board may allow trading in July—Oomra and July—Bengal.

The question of adopting the Single Hedge Contract, can in my opinion be definitely ruled out as a practical proposition, owing to its bristling with so many difficulties which I certainly think cannot be overcome. As things stand at present, even with the limited number of qualities included in the present Broach Contract, a great deal of difficulty is found in framing differences that appear correct to all sections of the trade. Therefore, it is obvious that an impossible state of affairs would arise should every quality in India be included under one contract. The supporters of the case for the Single Hedge Contract quote the example of Liverpool and New York, but it must not be forgotten that the qualities dealt in those markets under one contract are of the same characteristic, whereas in India there is a vast difference in the characteristics of the several growths, differences, which I think, are quite as wide as the difference between Egyptian and what is known in Liverpool as Empire cotton, and I would naturally ask why Egyptian and Empire cotton are not included in the Liverpool Contract. I think, it is for the same reason as that urged by me against the Single Contract, *viz.*, the wide difference in the characteristics of the cottons. Further, it should be remembered that as regards American cotton old or new crop can be tendered against the contract, whereas in India this practice does not obtain for obvious reasons, and in this connection I do not see how a Single Contract for delivery throughout the year would have any advantage, worthwhile speaking of, over the present system of contracts as it would not, really speaking, be a continuous contract like those of New York or Liverpool, as, during certain month or months when an old crop of certain growths would be tenderable against the contract, new crops of other growths may be arriving and a position might arise where in the one month or more months old crops of some growths would be tenderable at the same time as new crops of other growths. Further, it must not be forgotten that the success of any Hedge Contract depends on the attitude of the bazar and it appears to me that the millowners forget this, because, if a single or several contracts were forced on the bazar that they would refuse to trade in, the last position would be worse than the first, because, obviously, then there would be no Hedge Contract at all, and trading would be solely confined to Delivery Contracts.

Coming to the scheme put forward by Messrs. Forbes Forbes Campbell and Company, I have to make the following criticisms:—

In Fully Good Bengals I consider July delivery too late as there would not likely be sufficient to prevent manipulation.

Regarding Fully Good Broach, I think, February too early as there would not be sufficient cotton to protect the contract. Even the supply of the Central Provinces cotton might easily be too small to act as sufficient

protection. The same remarks apply, in a lesser degree, to March delivery. I would include, however, the months of May and July.

As regards fine Oomra, I think, fine Khandesh could be included with advantage, but not Jalna, and also for the reasons I have given above cotton tenderable against the M. Gd. Broach should not be included in this contract. I also do not agree that the months of December and July should be made delivery months as it has been proved by experience that there is not sufficient cotton in those months to protect the contract.

As regards good Southerns, I am in agreement with the proposal.

In considering this question, it must not be forgotten that besides the Millowners, Exporters have also a claim to consideration, and the retention of several Hedge Contracts is to them a distinct advantage over a Single Hedge Contract, because, obviously, if an exporter sells Bengals it is a much safer protection to him to hedge in the Bengal Contract, and if he sells Oomra, in the Oomra Contract, because he has not to run the risk of any fluctuations in basis and he can in many cases take delivery of the cotton contained in such contracts against his commitments. This advantage also applies to millowners, and I know of many cases, where millowners have bought Hedge Contracts against their sales of yarn and cloth, to take delivery against such contracts when it suited them to do so. This could obviously not be done in the case of a Single Hedge Contract, or any contract containing several growths of varying values.

TABLE "C."—*Indian Cotton Crops classified by Staple lengths.*

(In thousands of bales of 400 lbs. each.)

	1931-32 (as estimated in the forecasts).
Long Staple—$\frac{7}{8}$ inch and above—	
Oomras—	
*Hyderabad Gaorani	115
Verum 262	20
Broach—	
Surat-Navsari, mostly 1027 A. L. F. (Staple, 1")	103
Others	120
Kumpta-Dharwar—	
Gadag 1 (Staple, 1")	13
Jayawant (Staple, 1")	12
Others	224
Westerns and Northerns—	
Hagari 1 (Staple, $\frac{7}{8}$")	221†
Nandyal 14 (Staple, $\frac{15}{16}$" to 1")	
Others	
Tinnevellys—	
Karunganni C-7 (Staple, 1")	140†
Karunganni others (Staple, $\frac{7}{8}$")	
Others	
Cambodia—	
Coimbatore 2 (Staple, 1")	32
Irrigated Cambodia (Staple, 1")	59
Others	30
Punjab and Sind-Americans—	
289-F (Staple, 1" to $1\frac{1}{16}$")	231†
*4-F (Staple, $\frac{7}{8}$")	
Total—Long Staple	1,320

* If marketed pure.
† Separate figures not yet available.

TABLE "C."—*Indian Cotton Crops classified by Staple lengths*—contd.

	1931-32 (as estimated in the forecasts).
Short Staple—Below 7/8 inch—	
Oomras (part)	1,188
Broach (part)	57
Dholleras	577
Bengals	785
Salems	36
Cocanadas	34
Comillas, Burmahs, etc.	67
Total—Short Staple	2,744
GRAND TOTAL	4,064

TABLE "D."—*Classification of long staple Indian cottons capable of spinning 24s standard warp counts and above.*

	(As estimated in the forecasts.)
Long Staple 7/8 inch and above—	
Oomras—	
Hyderabad Gaorani	115
Verum 262	20
Broach—	
Surat-Navsari, mostly 1027 A. L. F. (Staple, 1")	70
Kumpta-Dharwar	
Gadag 1 (Staple, 1")	13
Jayawant (Staple, 1")	12
Kumpta and Dharwar-Americans	75
Westerns and Northerns	
Hagari 1 (Staple, 7/8")	28
Nandyal 14 (Staple, 15/16" to 1")	2
Others	*79 (average of 5 years' crop).
Tinnevellys—	
Karunganni C-7 (Staple, 1")	140†
Karunganni others (Staple, 7/8")	
Others	
Cambodia—	
Coimbatore 2 (Staple, 1")	32
Irrigated Cambodia (Staple, 1")	59
Others	30
Punjab and Sind-Americans—	
289-F (Staple, 1" to 1 1/16")	8
4-F (Staple, 7/8")	50
Total—Long Staple	733

* Contains up to 10 per cent. mixture.
† Separate figures not yet available.

TABLE "E."—*Imports of Foreign cotton into India from 1st September, 1929 to 1st May, 1932.*

Year.	Americans.	Egyptians.	E. Africans.
	Bales.	In $3\frac{1}{2}$ cwt	Bales.
1929-30	12,759	12,387	134,533
1930-31	128,845	148,947	179,473
Up to 1st May, 1932	168,475	94,226	73,580
Total	310,079	255,560	387,586

TABLE "F."—*Staple lengths of imported cottons from 1st September, 1929 to 1st May, 1932.*

Total No. of Bales.

Staple Length.	Americans.	Egyptians.	E. Africans.
Below $\frac{7}{8}''$	1,000	...	...
$\frac{7}{8}''$	33,810	...	...
$\frac{29}{32}''$	53,705	...	...
$\frac{15}{16}''$	91,190	...	...
$\frac{31}{32}''$	28,038	...	..
$1''$	8,785	...	...
$1\frac{1}{32}''$	11,150	...	...
$1\frac{1}{16}''$	28,800	3,875	700
$1\frac{3}{32}''$	13,075	100	...
$1\frac{1}{8}''$	14,900	2,631	...
$1\frac{5}{32}''$	200	... 5,475*	... 52,167*
$1\frac{3}{16}''$	...	3,740 8,100†	..
$1\frac{7}{32}''$	...	...	..
$1\frac{1}{4}''$	...	6,968	...
$1\frac{9}{32}''$ to $1\frac{15}{32}''$	...	955	...
$1\frac{1}{2}''$	...	4,082 2,300‡	...
Total	2,84,663	38,226	52,867

NOTE.—The figures given in Table "F" represent the bulk of American cotton classified according to staple length imported during the period 1st September, 1929 to 1st May, 1932. The figures of Egyptians and East Africans are not complete as importers of these descriptions are unable to classify the bulk of their imports according to staple lengths. The fact, however, is that Egyptians and East Africans imported into India are all over one inch staple in length.

* Staple $1\frac{1}{16}''$ to $1\frac{3}{16}''$.
† Staple $1\frac{1}{8}''$ to $1\frac{1}{4}''$.
‡ Staple $1\frac{9}{32}''$ to $1\frac{1}{2}''$.

The Indian Central Cotton Committee.

(1) Letter No. 163, dated the 22nd April, 1932, from the Secretary, Tariff Board.

In connection with the Tariff Board enquiry into the Cotton Textile Industry, I am directed to ask that you will be good enough to supply the Board with information on the points noted below:—

(i) Please refer to para. 61 of and Appendix XIII of the report of the Indian Tariff Board, 1927, and your Committee's pamphlet on Cotton Improvement in India, 1931, Chapter V. What is the present available supply of long staple cotton in India? What is the net supply available for use in Indian mills? What are the counts of yarn in the manufacture of which Indian long staple cotton may be used?

(ii) To what extent is the raw cotton now imported into India of the same quality as Indian long staple cotton? Does the present import duty on raw cotton materially help the Indian cultivator?

(iii) Does the present position of the world's cotton crops justify the assumption that there is over-production? If so, can it be argued that a decline in the output of the Indian mills will adversely affect the Indian cultivator of cotton? This of course assumes that the countries to which Indian cotton is now exported may obtain increasing supplies of short staple cotton from other countries. It is in fact suggested that such a tendency is already noticeable, especially in the case of Japan.

2. I am to request that the reply to this letter may be sent as early as convenient, if possible not later than the 15th of June.

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(2) Letter No. 5566 of 1932, dated the 15th June, 1932, from the Indian Central Cotton Committee, Bombay.

I am directed to forward herewith replies to the questions contained in your No. 163, dated the 22nd April, 1932, to my address and to inform you that as the Indian Central Cotton Committee is not likely to meet until July and as you desired an answer before the 15th June, a special Sub-Committee was appointed to draft replies to your questions. They are the considered views of only nine members of my Committee. A copy is being sent to the remaining members of the Committee for their views and fundamental differences of opinion received will be communicated to you in due course.

Enclosure.

Enquiry into the Cotton Textile Industry.

Before answering the specific questions asked in the letter of the Textile Tariff Board it would be as well to give a short history of the Indian cotton crop since the 1925-26 season when the Committee supplied a note to the previous Board.

It has to be realised at the outset that the year 1925-26 was a record one in the history of Indian Cotton, the estimated production (final figures) being 6,215,000 bales, which is 127,000 bales more than the previous recorded figure of 6,088,000 bales in 1924-25, and 2,151,000 bales more than the estimated production of the current season. During the season 1925-26 the short staple and all varieties of long staple crops fared very well, but since then there has been no year in which one or other of the long staple varieties has not been affected by the vagaries of the season. Further the low prices of 1925-26 were largely responsible for the sharp decline in the total area shown from 28·4 million acres in 1925-26 to 24·8 million in

1926-27. This level was maintained in 1927-28, and the area then rose to 27·1 million in 1928-29, fell to 25·9 million in 1929-30 and as a result of low prices in that season again fell to 23·8 million in 1930-31 and 23·5 million in 1931-32. It will thus be seen that both unseasonable weather conditions and reduced area are responsible for the small crops since 1925-26.

The form of the statement defining long and short staple cotton sent in 1926 by the Committee to the Tariff Board was taken from the classification adopted in Annexure II of the report of the Indian Cotton Committee of 1919 and in order to make the present day figures comparable with those submitted to the previous Board, the same classification has again been adopted. Cotton $\frac{7}{8}''$ and over has been classified as long staple while cotton up to $\frac{13}{16}''$ has been taken as short staple. For mill purposes, however, many of the types included in the long staple class, due to unevenness in staple or lack of strength, fall short of the definition of long staple cotton given below, *viz.*, that capable of spinning 24s warp counts and above. We therefore attach a second statement showing the quantity of commercial long staple cotton grown in India, *i.e.*, those qualities capable of spinning 24s warp counts and above.

Answers to Questions.

(i) (*a*) & (*b*) My Committee is not quite sure what is meant by the word "available" in the first question. A particular cotton may be available in so far as it may be grown, but it may be unobtainable by the mills because, for one reason, of the malpractice of mixing in the intermediate stage of marketing. Nearly 85 per cent. of the Punjab-American crop in the Punjab is sold by the grower with a maximum amount of approximately 10 per cent. mixture of *desi* cotton, but owing to mixing during the process of marketing the same amount of staple cotton is not available to the trade. My Committee therefore prefers to answer the first two questions (i) (*a*) and (*b*) by giving in two tables firstly the total amount of long staple cotton *produced* in the country and secondly by furnishing an estimate of the amount of commercial long staple cotton available for consumption. In the latter case only those types capable of spinning 24s warp counts and above are included. A cotton may be $\frac{7}{8}''$ in length but may still be incapable of spinning 24s and is thus excluded from the second table, though it may be found under the long staple classification in the first table.

TABLE I.—*Indian Cotton Crops classified by staple lengths.*

(In thousands of bales of 400 lbs. each.)

	1931-32 (as estimated in the forecasts).
Long Staple—$\frac{7}{8}$ inch and above—	
Oomras—	
Hyderabad Gaorani	115
Verum 262	20
Broach—	
Surat-Navsari, mostly 1027 A. L. F. (Staple, 1")	103
Others	120
Kumpta-Dharwar—	
Gadag 1 (Staple, 1")	12
Jayawant (Staple, 1")	12
Others	224
Westerns and Northerns—	
Hagari 1 (Staple, $\frac{7}{8}''$)	28
Nandyal 14 (Staple, $\frac{15}{16}''$ to 1")	2

TABLE I.—*Indian Cotton Crops classified by staple lengths*—contd.

	1931-32 (as estimated in the forecasts).
Tinnevellys—	
Others	191
Karunganni C-7 (Staple, 1")	140*
Karunganni others (Staple, 7/8")	
Others	
Cambodia—	
Coimbatore 2 (Staple, 1")	32
Irrigated Cambodia (Staple, 1")	59
Others	30
Punjab and Sind-Americans—	
289-F (Staple, 1" to 1 1/8")	231*
4-F (Staple, 7/8")	
Total—Long Staple	1,320
Short Staple—Below 7/8 inch—	
Oomras (part)	1,188
Broach (part)	57
Dholleras	577
Bengals	785
Salems	36
Cocanadas	34
Comillas, Burmahs, etc	67
Total—Short Staple	2,744
GRAND TOTAL	4,064

Over a period of ten years previous to the present season, the average of long staple cotton to the total crop has amounted to 26·7 per cent, so that it can be taken that roughly one-fourth of the Indian crop is long staple.

TABLE II.—*Classification of long staple Indian cottons capable of spinning 24s standard warp counts and above.*

(In thousands of bales of 400 lbs. each.)

	(As estimated in the forecast.)
Long Staple—7/8 inch and above—	
Oomras—	
Hyderabad Gaorani	115
Verum 262	20
Broach—	
Surat-Navsari, mostly 1027 A. L. F. (Staple, 1")	70
Kumpta-Dharwar—	
Gadag 1 (Staple, 1")	13
Jayawant (Staple, 1")	12
Kumpta and Dharwar-Americans	75

* Separate figures not yet available.

TABLE II.—*Classification of long staple Indian cottons capable of spinning 24s standard warp counts and above*—contd.

	(As estimated in the forecasts.)
Westerns and Northerns—	
Hagari 1 (Staple, ⅞″)	28
Nandyal 14 (Staple, 15/16″ to 1″)	2
Others	81
Tinnevellys—	
Karunganni C-7 (Staple, 1″)	140*
Karunganni others (Staple, ⅞″)	
Others	
Cambodia—	
Coimbatore 2 (Staple, 1″)	32
Irrigated Cambodia (Staple, 1″)	59
Others	30
Punjab and Sind-Americans—	
289-F (Staple, 1″ to 1⅛″)	8
4-F (Staple, ⅞″)	50†
Total—Long Staple	735

The quantity of Indian long staple cotton available to Indian mills for spinning the higher counts is not necessarily that given in the above table for the following reasons:—

(1) It may not be economic for every mill in India to use only Indian cotton for spinning counts above 24s.

(2) The mills spinning higher counts are not all concentrated in areas growing superior types of cottons.

(4) Some quantity of long staple cotton is used in hand spinning and for domestic purposes.

(5) A portion of the long staple crop is exported.

No estimate of the first four factors is possible but the amount of long staple cottons exported from India is ascertainable. The bulk of the long staple cotton exported from India may be taken to be that grown in Madras Presidency. Last year this amounted to 70,000 bales which may be taken as a fair average. If, therefore, the first four factors are ignored, the quantity of long staple cottons produced in India and available for use in Indian mills amounts this year to 6·65 lakhs bales.

(i) (c) 24s to 32s warp and 26s to 40s weft counts.

(ii) (a) Below will be found a statement showing the quantities and staple lengths of American, Egyptian and East African Cottons imported into India during the last 2½ years. The only cottons which can be said to compete effectively with Indians are those between ⅞″ and 1″ in length. Except for a crop of 8,000 bales of 1⅛″ staple grown in the Punjab, India does not so far produce any cotton of greater staple than 1″. It will be seen from the table that the bulk (70 per cent.) of the American cotton imported competes with Indian styles while from Egypt and Africa is imported cotton not grown in India and therefore not competitive.

* Separate figures not yet available.

† Contains up to 10 per cent. mixtures.

STAPLE LENGTHS OF IMPORTED COTTONS.

(From 1st September, 1929 to 1st May, 1932.)

TABLE III.—*Americans.*

Staple length.	Total No. of bales.
Below 7/8"	1,000
7/8"	33,810
29/32"	53,705
15/16"	91,190
31/32"	28,036
1"	8,785
1 1/32"	11,150
1 1/16"	28,800
1 3/32"	13,085
1 1/8"	11,900
1 5/32"	200
Total	2,81,663

Actual imports.

	Bales.
1929-30	12,759
1930-31	128,845
Up to 1st May, 1932	168,475
	310,079

TABLE IV.—*Egyptians and East Africans.*

	Total No. of bales. Egyptians.		East Africans.	
1"	.		2,200	
1 1/32"				
1 1/16"	3,875		700	24,000*
1 3/32"	100		...	
1 1/8"	2,981		..	
1 5/32"	...	5,475†	...	52,167†
1 3/16"	3,740	8,100‡	..	
1 7/32"	...	2,300§	...	
1 1/4"	6,968		...	
1 9/32" to 1 15/32"	955	1,195‖	...	
1 1/2"	4,997		...	
Total	40,686		79,067	

* Staple 1" to 1 1/8".
† Staple 1 1/16" to 1 3/16".
‡ Staple 1 1/8" to 1 1/4".
§ Staple 1 9/32" to 1 1/4".
‖ Staple over 1 1/2".

TABLE IV.—*Egyptians and East Africans*—contd.

Actual imports (in $3\frac{1}{2}$ cwts. bales).

	Total No. of bales.	
	Egyptians	East Africans.
1929-30	12,387	134,533
1930-31	148,947	179,473
Up to 1st May, 1932	94,226	73,580
Total	255,560	387,586

N.B.—The figures of imports of foreign cotton given above have been supplied through the courtesy of importers. From 1st September, 1929 to 30th April, 1932, 310,079 bales of American cotton were imported and information regarding their staple lengths has been furnished voluntarily for 92 per cent. of that quantity.

The reason for the meagre information supplied concerning Egyptian and East African cottons, is that some importers have not replied to our request for information and some have not kept a record to the staple lengths of the bales imported by them.

(ii) (*b*) The bulk of the Indian crop being short staple, there is no competition from outside sources with cotton less than $\frac{7}{8}$", so that the imposition of an import duty on this type of cotton can have had no effect on the majority of the Indian growers of cotton. There is also no competition in India with cottons over 1" in staple except for the 8,000 bales of 289-F. of $1\frac{1}{8}$" staple grown in the Punjab. We understand, however, that there may be a great future for cottons of this staple in Sind and the Punjab. For the effect of the duty on the intermediate staples between $\frac{7}{8}$" and 1", there is only the experience of the past eight months to fall back on and this has been a period in which abnormal factors have predominated in the world's markets, *e.g.*, a big and high class American cotton crop being dumped on the world's markets and the general trade depression. It is therefore difficult to say to what extent the grower of staple cotton in India has benefited by the duty during this period but under normal conditions and circumstances an import duty on cotton should afford protection to the grower of these staples.

(iii) (*a*) Yes, in the respect that for the present the supply is greater than the demand.

(iii) (*b*) Yes, it is certainly so in regard to cotton from $\frac{7}{8}$" to 1" because the export demand in regard to such cotton is entirely dependent on its cheapness in comparison with American. What ensures a reasonable price to the grower of such cottons is the Indian mill demand. This was clearly brought out during the seasons 1926-28 when large quantities of cheap low grade American cotton were imported to replace Indian cotton. The position therefore is that a part of the Indian cotton crop, varying from 1 to 2 million bales, will, if not taken up by Indian mills, be dumped on the export market and thus depress it. It can therefore be presumed that a decline in the output of Indian mills will adversely affect the price of Indian cottons of $\frac{7}{8}$" to 1" staple. Past experience also shows that in time of strike in the mills in Bombay and Ahmedabad the general tone of the home markets has not been altogether wholesome. In regard to cottons below $\frac{7}{8}$" there is also a danger of such an adverse effect taking place when a short output of Indian mills coincides with an increase of short staple American cotton due to deterioration.

(iii) (*b*) (2) No. The conditions in the markets are such that the grower gets the best price for his produce owing to competition between buyers whether for export or home consumption. The highest bidder obtains the cotton and as roughly half the crop is exported and half used in the country, it is safe to assume that there is no differentiation in rates.

(3) Letter No. 363, dated the 21st September, 1932, from the Indian Central Cotton Committee, Bombay.

During the course of the oral evidence tendered by the representatives of the Indian Central Cotton Committee, it was suggested by the President of the Board that there was a wastage of wealth owing to the practice of using long stapled Indian cotton for the production of yarns of lower denominations than the cotton was actually suited to spin, and that on this account either the mills or the cultivators of cotton suffered. The proposition enunciated by the President of the Board required detailed examination and the representatives of the Indian Central Cotton Committee therefore asked to be given an opportunity of examining it more closely. This further examination has now been completed, and I have the honour to submit the considered views of my Committee on this matter. In studying the situation, the representatives of my Committee had the benefit of the consultation with the representatives of the East India Cotton Association, the Millowners Association, Bombay, and the Millowners' Association, Ahmedabad, and the opinions hereafter expressed on the remark of the President, Tariff Board, represent the agreed views of all these interests.

2. On the general proposition as to whether cotton growers suffer any financial loss on account of Mills in India using Indian staple cottons at times for production of counts lower than the maximum counts which such cottons are capable of spinning, there is complete agreement that full market rates are invariably paid for all cotton purchased from the grower including staple cottons irrespective of the uses to which such cottons may be put. Therefore, whether cotton bought by mills is used for the purpose of spinning higher or lower counts, the agriculturist does not suffer by mills in India spinning lower counts than the maximum counts that can be spun out of such cotton. The conclusion of the Associations on whose behalf this reply is being sent unequivocally is that no financial sacrifice or waste is made at the expense of the agriculturist in this connection. Whether mills in India in every instance make the fullest economic use of the staple cottons which they purchase is, therefore, the only question which remains to be examined and I have the honour to submit that this question can be more properly dealt with by the representatives of the Millowners in India, should the Tariff Board refer it to them. As far as the Indian Central Cotton Committee is concerned, their direct and main interest is the interest of the cotton grower and if the first proposition named in this paragraph is not challenged by the Tariff Board, I feel that I may leave this question at this point whilst dealing with the question raised by the President.

3. As regards the manner in which the long staple cotton crop is utilized, the results of my Committee's further investigations are stated below. In Appendix I will be found a statement, showing the production of Indian cotton suitable for spinning 24s counts and above. This table has been drawn up on the same basis as Table II of my Committee's written evidence to the Board, and shows that the average production for the three cotton seasons 1929-32 was 714,000 bales of 400 lbs. weight. The whole of this cotton, however, was not available for commercial purposes. A portion was utilised for hand-spinning and other domestic purposes. When considering the whole of the Indian cotton crop of five to six million bales, it is generally accepted that 750,000 bales—about 15 per cent. of the crop—are used for domestic purposes. Assuming that the proportion of staple cotton used for domestic purposes is the same as for other types, then 15 per cent. of 714,000 bales, *i.e.*, 107,000 bales, would be consumed locally leaving 607,000 bales for export and mill consumption.

4. With regard to the exports of the particular class of cotton under consideration it has to be pointed out that the sea-borne trade statistics compiled and published by the Director-General of Commercial Intelligence and Statistics, which is the only complete statistics for exports of cotton from India, does not distinguish between the different varieties of cotton. There is, however, another set of statistics which is helpful. Through the courtesy of a number of exporting houses the Indian Central Cotton Com-

mittee have been able to collect details of exports to different countries classified according to the usual trade descriptions on the definite understanding that figures relating to individual firms would not be divulged to the public. These figures are given in Appendix II, and they show that the total average exports from India during the seasons 1929-31 were as follows:—

	Bales.
Hyderabad Gaorani (whole)	39,000
Tinnovellies (whole)	56,000
Cambodias (whole)	55,000
Westerns and Northerns *(half)	30,000
Kumpta-Dharwar *(one-third)	2,000
Broach *(less than a third estimate)	25,000
Punjab-American †(one-tenth estimate) . . .	42,000
Total	249,000

N.B.—Figures for 1931-32 are not yet available.

From these figures it may be inferred that *not less than* 2·49 lakhs bales long staple cotton were exported, leaving only 3·58 lakhs for consumption in Indian mills.

5. The words "*not less than*" are used here advisedly, because the returns received by the Indian Central Cotton Committee from exporters in this connection did not account for the entire exports from India of Indian cotton as published by the Director-General of Commercial Intelligence and Statistics. There is, therefore, every reason to believe that the above figures are, if anything, on the low side.

6. The next point for consideration is whether the whole of this long staple cotton was absorbed by Indian mills. As there was general agreement amongst the representatives of the various bodies referred to by me that there were no reports of unsaleable quantities of staple cottons during the seasons referred to, they believe that it is justifiable to infer that the long staple cottons available in India were absorbed by mills in India. On the other hand, it is the general experience of mills that owing to scarcity the premiums which have to be paid for staple cottons increase in July, August and September.

7. The last point to be examined is whether the staple cotton which was absorbed by the mills was properly utilised, in other words, whether it was utilised in the production of finer count yarns. In the written evidence submitted to the Board by the Indian Central Cotton Committee, it was indicated that mills situated in areas in which long staple cotton is grown sometimes find it convenient to spin from staple cotton yarns of counts lower than those for which the cotton grown in the vicinity is suited. In this connection, it is necessary to bear in mind that cotton suitable for lower counts from other areas is comparatively more costly to such mills owing to the heavy cost of railway freight which such short staple cotton has to bear for import into these areas. To what extent staple cotton was spun into counts lower than it was capable of spinning may now be examined. In Appendix III will be found a table showing India's yarn production during the last ten years classified according to counts. In Appendix IV the calculated quantities of raw cotton, Indian and foreign, (at 1 lb. of yarn = 1·18 raw cotton as worked out in Appendix V) necessary for the production of counts 21s and above are given separately. Consideration of these two tables shows that on the average of the last three years 398,000 bales of staple cotton must have been used in the production of 24s and above. This figure is reasonably close to the estimated figure of

* On the same basis as Appendix I.

† Only a rough estimate.

358,000 bales of suitable staple cotton available to the mills taking into consideration the obvious shortcomings of our statistical data and other evidence available. It would not therefore be incorrect to infer that staple cottons are on the whole put to proper use by Indian mills bearing in mind the location of Indian mills as referred to above.

APPENDIX I.—*Classification of long staple Indian cottons capable of spinning 24s standard warp counts and above.*

(In thousands of bales of 400 lbs. each.)

	(As estimated in the forecasts.)		
	1931-32.	1930-31.	1929-30.
Long staple ⅞ inch and above—			
Oomras (entire crops)—			
Hyderabad Gaorani	115	126	125
Verum 262	20	11	7
Broach—			
Surat-Navsari, mostly 1027 A. L. F. (Staple, 1") (estimated round figure) .	70	70	70
Kumpta-Dharwar—			
Gadag 1 (Staple, 1")	13	11	16
Jayawant (Staple, 1")	12	7	10
Kumpta and Dharwar-Americans (½ of the remaining crop)	75	53	86
Westerns and Northerns (half of the total crop)—			
Hagari 1 (Staple, ⅞")	28		
Nandyal 14 (Staple, 15/16" to 1")	2	91	86
Others	81		
Tinnevellys (entire crop)—			
Karunganni C-7 (Staple, 1")			
Karunganni others (Staple, ⅞") . . .	140	129	102
Others			
Cambodia—			
Coimbatore 2 (Staple, 1") (entire crop) .	32		
Irrigated Cambodia (Staple, 1") (entire crop)	59	90	144
Others	30		
Punjab and Sind-Americans—			
289-F (Staple 1" to 1 1/16") (entire crop) .	8	12	2
4-F (Staple ⅞") (estimated round figure) .	50*	50*	50*
Total Long Staple .	735	650	758
Total for 3 years .	2,143		
Average .	714		

* Contains up to 10 per cent. mixture.

APPENDIX II.—*Exports of Long Staple Cotton from India.*

(In thousands of bales.)

Year ending 31st August.	Hyderabad Gaorani.	Punjab-American.	Sind-American.	Broach.	Kumpta Dharwar.	Westerns & Northerns.	Tinnevellies.	Cambodias.	Total.
1931-32	..	..	..	..	..	..	..	..	..
1930-31	24	418	34	81	2	44	42	45	690
1929-30	54	419	17	88	9	75	70	65	797
1928-29	44	328	10	59	23	70	76	17	627
1927-28	18	314	..	166	17	28	54	..	597
1926-27	11	252	..	112	1	10	46	2	434
1925-26	20	496	..	210	20	87	92	17	942
1924-25	5	365		285	35	83	117	67	957
1923-24	53	258	.	241	38	49	130	60	824
1922-23	5	91	..	262	23	42	26	36	485

APPENDIX III.—*Yarn production in India for years ending 31st March.*

(In millions of pounds.)

Year ending 31st March.	COUNTS							
	1—10.	11—20.	21—23.	24—30.	31—40.	Above 40.	Waste.	Total.
1931-32	117	445	129	165	71	34	5	966
1930-31	114	400	115	144	61	27	6	867
1929-30	106	388	127	145	46	15	7	834
1928-29	79	303	97	116	37	10	6	648
1927-28	106	389	122	141	34	11	6	809
1926-27	115	401	113	135	28	11	4	807
1925-26	96	349	98	116	20	6	1	686
1924-25	93	377	102	122	19	6	*	719
1923-24	85	327	82	100	20	3	*	617
1922-23	103	376	98	111	16	2	*	706

* Less than a million pounds.

Appendix IV.—*Raw Cotton Consumed in Indian Mills.*

(In thousands of bales of 400 lbs. nett.)

Year ending 31st March.	Calculated (1 lb. yarn = 1·18 lb. raw cotton) quantity of raw cotton required to spin the yarn produced in India.				Net imports of foreign cotton.*	Indian cotton used for producing yarn 24s. and above.
	24—30.	31—40.	Above 40.	Total.		
1931-32 . .	487	209	100	796	443	353
1930-31 . .	425	180	80	685	327	358
1929-30 . .	428	136	44	608	126	482
TOTAL .	..	..	..	..	..	1,193
AVERAGE .	..	..	..	..	..	398

* Imports of foreign cotton less re-exports.

Appendix V.—*Calculation of waste percentage ratio from known cotton consumption and yarn production.*

Year ending 31st March.	Indian cotton consumed in Indian mills (*a*).	Foreign cotton imported into India (*b*).	Total cotton taken by Indian mills.	Yarn production in millions of pounds (excluding Waste).	Remarks.
	(In thousands of bales of 400 lbs.)				
1931-32 . .	2,342	443	2,785	901	(*a*) Figures compiled by the Indian Central Cotton Committee from cotton cess returns from British Indian mills and voluntary returns from Indian State mills.
1930-31 . .	2,266	327	2,593	861	
1929-30 . .	2,248	126	2,374	827	
1928-29 . .	1,764	159	1,923	642	
1927-28 . .	1,984	354	2,338	803	
1926-27 . .	2,159	244	2,403	808	(*b*) It cannot be assumed that cotton imported during any year is consumed in the same year, but over a number of years the difference caused by this factor will not be appreciable.
1925-26 . .	2,007	53	2,060	685	
1924-25 . .	2,051	47	2,098	719	
1923-24 . .	1,798	33	1,831	617	
TOTAL .	18,619	1,786	20,405	6,918	

For all nine years total cotton taken by mills = 20,405,000 bales.
= 8,162,000,000 lbs.
For all nine years total yarn production = 6,918,000,000 lbs.
∴ 1 lb. yarn = 1·1798 lb. cotton.
For last two years total cotton taken by mills = 5,378,000 bales.
= 2,151,200,000 lbs.
For last two years total yarn production = 1,822,000,000 lbs.
∴ 1 lb. yarn = 1·1806 lb. cotton.
Hence the general average may be taken as 1 lb. yarn = 1·18 cotton.

N 2

(4) Letter No. 364, dated the 21st September, 1932, from the Indian Central Cotton Committee, Bombay.

In continuation of my letter No. 363, dated the 21st September, 1932, I have the honour to say that the representatives of the Indian Central Cotton Committee who appeared before the Tariff Board to give oral evidence on behalf of the Committee have further examined the question of margin to be allowed in the length of staple for the purpose of import duty on foreign cottons. They are of the opinion that one inch and below should be given effective protection and that this object would be achieved if the maximum length of staple is fixed at 31/32 inch with a margin of 3/64 inch.

The Bombay Shareholders' Association, Bombay.

(1) Letter dated the 11th June, 1932.

I am directed to acknowledge with thanks receipt of your letter, dated the 11th April last giving cover to a copy of the Press Communique issued by you and to forward to you the following views of my Committee in connection with the above enquiry.

1. As the case for protection will be presented by the industry in detail and as another opportunity of dealing with it in reply to the Board's questionnaire will be available in the near future, my Committee do not consider it necessary to deal with it at length on this occasion. They would, however, observe that the measure of protection granted in 1930, belated and inadequate as it was, has been fully justified by the results. Provided the industry can be kept immune from the inroads of foreign competition by means of adequate protection devised to secure economic prices for its products, there is every reason to believe that in course of time it will so develop and expand as to be able to withstand competition and supply the requirements of the home market at competitive prices to the lasting good of the country. My Committee therefore urge that adequate protection be granted to the industry.

2. Several sections of the questionnaire issued in the last inquiry were devoted to matters affecting mill management, mill finance, raw material, overhead charges and sales. My Committee presume that in this enquiry also the Tariff Board will have unavoidably to go into all these matters in order to determine the scope for internal economies and improvements in the organisation of the industry.

3. Before alluding to these matters, it will be convenient to draw the attention of the Tariff Board to two important points. The first point is, that of the numerous upcountry mills, two or three mills only took part in the last enquiry while only seven mills submitted their costs of production statements and that too in a manner which did not simplify the work of the Tariff Board. As also will be seen from the President's remark at page 167, Vol. II, the Bombay Millowners' Association definitely disclaimed any intention of representing the interests of their upcountry members. To the extent therefore that the Tariff Board was deprived of material information concerning the working and methods of administration in upcountry mills the conclusions contained in the last report were incomplete.

The second point is that in regard to several matters affecting management and administration of Bombay mills, the Bombay Millowners' Association and its witnesses gave information in the last enquiry which appears to be vague, incomplete or inaccurate in material particulars while in several cases the witnesses were unable to vouch for the practices prevalent in member mills generally and were obliged to restrict their answers to their mills only. In this connection the following instances may be cited:—

(i) In reply to question 43, the Association stated that they were not aware that any managing agent received commission on purchases of cotton (page 185, Vol. II); this answer was confirmed in oral evidence (page 106, Vol. II). As a matter of fact it was wellknown that in 1923 several mills under the agency of a big firm appointed a private

limited company in which the managing agents held 50 per cent. of the capital, as their agents for buying cotton on payment of brokerage and commission. Thus the managing agents received 50 per cent. of the brokerage and commission paid by the mills for purchases of cotton.

(ii) In reply to question 43, the Association stated that it did not know of any case in which any managing agents in addition to commission on production or on profits received commission on the sales of cotton from the mills (page 135, Vol. II). An important case has come to light which shows that a firm of agents have charged commission on sales of Indian and American cotton effected for the mill.

(iii) In reply to question 43, the Association stated that one or two managing agents were guarantee brokers to their own mills and charged commission on sales of yarn and cloth but that this was not the general practice (page 135, Vol. II). The managing agents referred to then controlled and still control not only one or two mills but a number of mills. This being so, the answer was vague. This practice should be judged not by the number of managing agents but by the number of mills affected. My Committee gave attached a statement hereto annexed and marked " A " showing cases in which managing agents or other firms in which they are interested are acting as selling agents or guarantee brokers. Several items in this statement refer to Bombay and were in operation at the time of the last enquiry.

(iv) It was stated in oral evidence (page 197, Vol. II) that when there were no profits it was the usual practice of the agents to waive the whole or part of the commission. The statement hereto annexed and marked " B " will show that even in cases of loss managing agents have drawn their minimum commission while in some cases where the commission is on production they have drawn maximum commission in spite of the mills having made losses.

(v) It was stated in oral evidence that plenty of agents went to the mills daily (page 197, Vol. II). The Board will please mark the word " plenty ". According to our information most of the managing agents do not visit the mills daily. In many mills superintendents are employed to do this work. This is one of the reasons why the agents are not sufficiently in touch with labour—a point to which the Pearson Committee has drawn pointed attention in para. 86 of its report. In this connection the following extracts from the evidence of Mr. Osman Sobani, Manager of the Prabhat Mills, given before the Fawcett Committee will be found interesting (*see* page 720, Fawcett Committee Proceedings):

Q. " About the agents, do they ever try to meet the men in the mill and enter into a cordial talk with them and try to answer their objections and remove their prejudices, if there be any? There is no such touch? "

A. " I can tell you about myself, I do not know about others. I visit the mill every day. I am in the departments. I do not depend on the manager for all my information."

Q. " You give only routine instructions from day to day. Do you ever have such talks as I have described and try to enter into the feelings of the operatives? ".

A. " Generally, no."

Q. " Neither do the agents? ".

A. " I represent the agents."

Q. " Do they come and meet the jobbers and have any talk with them? ".

A. " Generally, no."

(vi) It was stated in oral evidence that Directors' meetings were held generally once a month (page 197, Vol. II). This statement is contradicted by the following statement made by Mr. S. D. Saklatwala

before the Fawcett Committee on 2nd November, 1928 (*see* page 260 of the Fawcett Committee Proceedings):—

"*Mr. Saklatwala*:—We first of all never have monthly meetings of our directors; we have hardly three or four meetings in a year."

(vii) The witnesses assured the Board that there was only one instance in Bombay of investments in allied concerns (page 208, Vol. II). The attached note marked "C" will show several instances of such investments. Many items in the note refer to Bombay and were in operation at the time of the last enquiry.

(viii) The witnesses were unable to vouch for the general practice of the mills to hedge in cotton (page 219, Vol. II). My Committee are in a position to show that one of the gentlemen who vouched for this practice in his mills was far from being accurate.

(ix) Regarding increase in capital in certain mills the witnesses declined to speak for other mills and referred the Board to the agents of those mills (page 201, Vol. II).

(x) In reply to a question whether all the mills had an up-to-date and accurate costing system, the witnesses stated that it was difficult to answer that question inasmuch as mills were very jealous of giving figures to each other and the Association as such was not in a position to answer the question whether every mill has got an up-to-date system (see page 212, Vol. II).

(xi) The evidence at page 198, Vol. II, shows that two of the Association's witnesses in reply to questions about Directors' control over managing agents had to confine their answers to practices in their own mills only.

4. My Committee appreciate that where an industry like the Bombay mill industry comprises several units, it may be difficult for an organisation like the Bombay Millowners' Association to obtain from its members detailed and accurate information on various heads on the score of the natural hesitation on the part of competitive units to disclose information which may be regarded as trade secrets. At the same time the value of full and correct information in a Tariff Board Enquiry cannot be denied. The difficulty of the task is further increased by the fact that as pointed out by the Tariff Board at page 108 of their report the position and practice of the different mills in regard to interest, commission, brokerage, expenses on sales and the agents' remuneration vary very greatly. Some method must therefore be devised to obtain precise and accurate information as to the different kinds of practices prevailing in individual mills. My Committee therefore suggest that if a separate questionnaire on these points is sent to individual mills pointing out to them the necessity of answering the same, it will go a great way in assisting the Board in obtaining full and accurate information.

5. My Committee will now deal with some of the matters which in their opinion should be included in the Board's questionnaire.

6. As the Board are aware a series of recommendations have been made in Chapters IX and X of the last report regarding internal economies and improvements in organisation. In 1930, correspondence took place between my Committee and the Millowners' Association, Bombay in regard to the action taken by that body in respect of recommendations Nos. 27, 41, 44, 67, 70, 72, 73, 75, 76, 87, 88, 89, 91, 94 and 97 copies whereof are hereto annexed and marked "D". It will be seen that the Bombay Millowners' Association has not given a satisfactory reply about the action taken in respect of the several recommendations specified in my Committee's letter of the 12th February, 1931, although they relate to matters of common interest. The Association contends that these matters lie more properly within the domain of the internal administration of individual mills and suggests that the mills concerned should be asked to furnish the required information.

At the All-India Conference of Millowners held in Bombay on the 20th June, 1927, the Chairman Mr. H. P. Mody observed as follows:—

"I do not think any assurance is needed that the various suggestions made by the Tariff Board for the improvement of our organisation will receive our most careful consideration and that due weight will be given to the recommendations of a body of men who for many long months applied themselves conscientiously to the task of investigating the conditions of the industry and finding out the causes of the present depression."

At the Annual Meeting of the Bombay Millowners' Association held on the 25th February, 1930, the Chairman Mr. H. P. Mody observed:—

Most of the recommendations of the Tariff Board have either been put into effect or have been attempted * * * * * *."

The White Paper issued by the Government of Bombay in February, 1930, contains the following significant statement:—

"The Millowners are now making strong efforts to set their own house in order and remedy the defects which the Noyce Committee pointed out."

Speaking in the Legislative Assembly on the Cotton Textile Industry Protection Bill on the 13th March, 1930, Mr. H. P. Mody observed as follows:—

"* * * * * and in the matter of efficiency in our internal organisation we have done everything conceivable to set matters right."

It is evident from the aforesaid quotations that the position taken up by the Bombay Millowners' Association in the aforesaid correspondence is wholly inconsistent with the professions made by its spokesman from time to time. As an organised body, the Association cannot shirk its own responsibility in seeing that effect is given to the Board's recommendations. My Committee hope that in this enquiry the Board will pursue this matter and call upon the industry to explain what it has done in the direction of giving effect to the recommendations contained in the last report. My Committee would like to add that some companies to which they recently wrote gave the laconic reply that the Board's recommendations were under their careful consideration. The Association has been informed by one of its members that at the Annual General Meeting of a mill company the Chairman informed him that he had not cared and had not thought it necessary to read the Tariff Board's Report.

7. *Mill Management.*—The managing agency system which prevails in almost all the cotton mills in India has been severely criticised in recent years. The latest contributions on the subject are contained in the Majority and Minority Reports of the Indian Central Banking Enquiry Committee. In paras. 352 and 353 of their report the majority observe as follows:—

"Although the managing agency system is reported to have done a great deal for the industrial development of Bombay, it is admitted that it is not by any means a perfect arrangement but has many serious drawbacks. There have been cases where the managing agents have, besides managing their own mills, traded and speculated and the resulting weakness in their position has reacted on the financial position of the mills themselves and led to the banks withdrawing cash credits even when the mills were intrinsically sound, merely because the managing agents had become weak. Further although it is true that in times of crisis such as Bombay has been going through managing agents have incurred extensive losses as a direct result of financing the mills under their control, there have been a few cases in which these agents have turned their loans to the mills into debentures, with the result that the concerns have passed into their hands and the shareholders have lost all their capital invested in the undertaking. It has also been pointed out that this managing agency system works well when everything goes on smoothly and when the industries are prosperous. During these periods of prosperity if more money is required

by the individual concerns, the managing agents may very often continue supplying the money themselves to a considerable degree. Later on, however, when conditions alter and the industry or the particular concern comes up against bad times and the managing agents find themselves compelled to find more money to support the industry, it is found that they are not able in all cases to cope with the requirements.

We suggest, therefore, that attempts should be made to make industrial enterprises in India less dependent on this system for future development. The establishment of direct friendly relations between industrial companies and commercial banks is desirable especially in view of the capital demands that are likely to arise in connection with mergers and reconstructions which may follow the present economic depression."

At page 434 of his Minority Report Mr. Manu Subedar has summarised his views on this system in the following terms:—

"Managing agents have found finance for industrial concerns, but, as a rule, without risk or loss. The managing agency system absorbs too large a share of profits and interferes with the flow of capital into industry, by making it less attractive to the investor. The system of transfer of control of industry by heredity or by sale, to parties not approved by the Company, is one, which must be put an end to by law, and a provision to that effect should be inserted in the Indian Companies Act, the revision of which is in sight. A provision, which prevents the contract for management being limited to a certain number of years and being good during that period only, if a specified individual is able to offer his personal services, will not prove hard, where there are capable partners in the managing agency firm."

Mr. Arno Pearse in his book on the Cotton Industry of India makes the following significant statement at page 5:—

"Yet several of the Bombay Millowners described to the Writer the institution of managing agents as deplorable, not sufficiently in touch with either buying or selling markets."

8. The evils of this system can be fully realised only when some of the clauses inserted in managing agency agreements and articles of association in the preparation of which shareholders have no voice are considered. My Committee cannot help reviewing these clauses as they find that they have not received the attention they deserve.

9. The clause about managing agent's remuneration when the commission is on profits usually lays down that the commission is to be charged on the annual profits of the company after making all proper allowances and deductions from revenue for working expenses chargeable against profits and that in calculating the profits for this purpose no deduction is to be made for depreciation or in respect of amounts carried to various accounts such as reserve fund account, equalisation of dividend account, etc., etc. This simple and innocent-looking clause has provided managing agents with commission on profits other than *business or trading profits*. Not only do they continue to recover their commission on the amount of interest earned on investments which, strictly speaking, is not business profit but the clause also enables them to recover commission on the amount of premium received on the issue of new shares. The balance sheet of the Simplex Mills for the year ended 31st March, 1921, will show that the managing agents recovered their 12½ per cent. commission on the sum of Rs. 10,50,000 received as premium on the issue of 3,000 new shares of the company. The clause also enables the managing agents to claim commission on the amounts of dividends received from subsidiary companies managed not by others but by themselves. It also enables them to claim commission on profits made on the sale of capital assets. It will thus be seen that the clause in its present form is highly objectionable.

10. It will be convenient here to dispose off the question of the managing agents' right to recover commission on profits before deducting depre-

ciation. Both the Bombay and Ahmedabad Millowners' Associations have admitted that depreciation is a charge on production. This being so, it is clear that the managing agents' commission should be calculated on the amount of profit remaining after the depreciation allowance is made. The Board however observe in para. 75 of their report that if this procedure were to be adopted it would be necessary to revise the percentage in order to allow of a reasonable rate of remuneration and that this would necessitate a wholesale revision of managing agency agreements. My Committee would observe that there should be no objection to the percentage being increased in suitable cases, but they insist that the practice of allowing managing agents to charge commission on the depreciation allowance ought to go.

11. The practice of charging commission on production or sales is absolutely indefensible for the reasons contained in the previous report of the Tariff Board. My Committee would therefore urge that action be taken to stop this practice.

12. The office allowance which is more or less a war time creation should now go. Office allowance as would generally be understood should mean disbursements for office establishment. As a matter of general experience, my Committee find that such disbursements are as a rule charged to revenue. It is therefore difficult to seek justification for granting the agents office allowance over and above the actual cost of maintaining the office establishment which is borne by the company. It is contended that the office allowance is in the nature of a remuneration for members of the agency firm who are in actual charge of the management of the company. If that is really so, it is difficult to understand what is then the consideration for a commission on profits. Under the managing agency agreement the managing agent is bound to devote his time and attention to the business of the company for which he earns commission. It is obvious therefore that office allowance is in part a duplication of the agents' commission and cannot therefore be sustained. My Committee find that during the last four years when the industry was least able to bear any unnecessary burden the managing agents recovered the following amounts for office allowance as will be seen from the consolidated balance sheets of Bombay mills for the years 1927 to 1930.

Year.	Office Allowance. Rs.
1927	5,47,569
1928	5,16,541
1929	4,70,211
1930	4,70,156

The injustice of the system of office allowance is aggravated in some cases where this allowance is charged in addition to a guaranteed minimum commission or a commission on production.

13. Another clause worth noticing is the one by which the agent agrees to work for the company. This clause merely lays down that the person appointed will act as the agent of the company for the remuneration mentioned and that he will use his best endeavours to promote the interests of the company. There is nothing to prevent him from starting other concerns, not even a competitive concern, with the result that agencies after agencies are acquired by him which ultimately react on his financial position to such an extent that the concerns under his management suffer and at times come to grief. Again there is nothing to compel the managing agent or a member of his firm to attend whole time to the affairs of the company with the result that there is lack of adequate supervision.

14. A further clause worth noticing is the one which authorises the managing agent to assign the whole or any part of his earnings without thereby in any way affecting his appointment as agent. This clause is

highly prejudicial to the interests of the company as it enables outside interests to influence the working of the company.

15. The next objectionable clause relates to the agent's power by which he is authorised to assign the agreement to any one and by which the company is compelled to recognise the assignee as the agent. Under this clause the managing agent can assign the agency to any Tom, Dick or Harry or even to a competitor provided he gets the price he wants. The clause enables the managing agent to barter away the rights of the shareholders according to his will. In England such a clause would be in operative under Section 151 of the New English Companies Act which runs as follows:—

> "151. If in the case of any company provision is made by the articles or by any agreement entered into between any person and the company for empowering a director or manager of the company to assign his office as such to another person, any assignment of office made in pursuance of the said provision shall, notwithstanding anything to the contrary contained in the said provision be of no effect unless and until it is approved by a special resolution of the company."

This section was introduced in the new Act on the ground that the provisions objected to militated against efficiency in joint stock companies (see para. 54 of the English Companies Act Amendment Committee's Report).

16. Still another objectionable clause is the one which restrains the company from transferring its business to another company except on the footing that the managing agent will also be appointed the agent of the transferee company. It is obvious that such a clause militates againts amalgamation of concerns where such amalgamation is considered necessary in the mutual interests of the amalgamating companies.

17. The other objectionable clause is the one which entitles the managing agent to claim a certain number of years' commission on winding up. This period varies in different cases. In some it is five, in some it is seven whereas in others it is ten. There is no reason why when a company is wound up voluntarily or because of its insolvent condition, or the unprofitable character of its business, the managing agent should be entitled to claim any compensation. This clause furnishes another illustration of the drain involved in the system. Under a similar clause the managing agents of a well-known mill took Rs. 20 lacs as compensation on the winding up of the company consequent upon sale although they had to refund the bulk of this amount as a result of litigation. In another case which is still pending before the High Court the managing agents have claimed a sum of Rs. 14 lacs as compensation under a similar clause. In the last-mentioned case the clause goes to the length of laying down that the agents' claim for compensation shall attach as a lien on the company's assets and properties, thus submerging the rights of the existing creditors. It is clear that the clause is calculated to mar the confidence of shareholders and depositors and, what is more, there is a possibility of its being used by unscrupulous managing agents as a weapon to wind up concerns.

18. The clause giving powers to managing agents is so wide that the managing agent who under the law is a manager of the company is turned into a virtual master. Instead of the management being primarily vested in the directors, it is vested in the managing agent who under the clause is authorised to do everything "which is not specifically reserved to be done by the directors". It has practically the so-called control and supervision of the Board into a farce. Even the little semblance of this control and supervision is being sought to be taken away by certain recent agreements which provide that the Directors will have those powers only which are not exclusively vested in the agents or that the business of the company "except as is hereby expressly provided to be carried on by the agents" is to be managed by the directors.

19. Regarding the other clauses inserted in the managing agency agreements or in the articles of association, my Committee would invite the attention of the Board to the statement hereto annexed and marked "E"

which will show that in several cases managing agents have acquired power to work for and contract with the company, to act as buying and selling agents, muccadams, brokers, etc., etc., on payment of extra remuneration. Such provisions have created a number of personal interests for the managing agent as opposed to his interest as agent and experience has shown that in a good many cases the interests of the concern are subordinated to those of the agent.

No provision is inserted in the agency agreement whereby the agent can be removed in case of incompetency. Again there is no provision whereby in case of death the agent's successor is subject to the approval of shareholders. To put the whole matter briefly, the agreements and ticles are so very much one-sided that even a gentleman of the status of Sir Purshotamdas Thakurdas with all his leanings towards the agency system had to admit their defective character in the following words:—

> "Now, Sir, I do not wish to defend that system through and through but I wish to point out to my honourable friend, Mr. B. Das that what is wrong with the system is that there are not enough safeguards ensuring efficient mill management in case of hereditary management proving inefficient. There is not sufficient watchfulness on the part of the shareholders and there may not be enough safeguards provided in agreements with mill agents." (See L. A. Debates, 26th March, 1930, page 2466.)

20. In the Board's previous report it is stated on page 89 that no substantive evidence was produced by witnesses in support of their allegation that some managing agents received secret profits. My Committee will take this opportunity of drawing the Board's attention to a clause in a document which purports to be an agreement by which a share in the profits of the managing agency of a Bombay cotton mill is sold to another party by the managing agents. The assignee of this share benefits under the terms of the agreement not only in respect of the commission earned on profits or managing agency commission but also "in every profit, remuneration and compensation . . . . including any profit which they may make as the agents for the insurers of the properties assets and effects of the company and *any profit which they may make under any arrangement with the agents of the company for selling cloth and yarn or the muccadams of the company*". The words in italics point to the existence of the practice of receiving secret profits.

My Committee would also draw the Board's attention to the following passage at page 52 of the 1927 Edition of that wellknown book "Bombay Industries: The Cotton Mills" by Mr. Ratnagur:—

> "It cannot, however, be said that the industry is yet free from the evils of the agency system. Instances of malpractices which have been cited above would still be found in certain of Bombay mills whose agents think more of their own gain than the rights of the shareholders and the welfare of the workpeople."

Mr. Arno Pearse writing on the practice of secret commissions observes at page 121 of his book: "a firm of mill-managing agents told me that when they took over the business the old suppliers of cotton came offering them secret commission, and added that their predecessors always had two per cent.".

21. According to the previous Report of the Board, there is a possibility that the managing agent who is also dealing in machinery may be inclined to purchase for his mills the machinery for which he is also agent without due regard to its comparative cost. These remarks of the Board seem to have been endorsed by Mr. Arno Pearse for at page 60 of his book he observes: "many of the Bombay mills having frequently changed hands, and having belonged to managing agents who were also representatives of textile machinists, some are museums of all kinds of machinery from different machinists, as every time a mill was taken over, the new mill agent was anxious to get some of the machinery into the mill which was made by a firm of textile machinists that he happened to represent at that

time". Such remarks about purchase of machinery apply with equal force to purchase of raw materials also. One of the points which my Committee are trying to drive home is that so long as the managing agents are not divested of personal interests which have been created around the orbit of their mills as a result of the managing agency system, these interests will always act as a handicap in attaining economies and improvements.

22. Supply of finance by the managing agents is stated to be the main justification for the agency system. The Majority Report of the Banking Enquiry Committee does not support this claim. Again the methods of finance employed by managing agents in many cases leave much to be desired as can be seen from the following instances:—

(i) A firm of managing agents required their companies to convert their rupee indebtedness into gold dollar liability which involved the companies into an extra liability of Rs. 85 lacs on the basis of the rate of exchange prevailing at the close of the year.

(ii) The statement marked "C" which contains particulars of investments in allied concerns throws sufficient light on the dubious methods employed in financing mills.

(iii) The managing agents of two old established concerns appointed selling agents although the products on the mills had previously commanded ready sales without such selling agents. In both these cases the selling agents deposited large amounts with the mills. In one of the mills, cotton purchasing agents were also appointed for the purpose of financing its requirements of cotton. These financial arrangements adversely affected the mills' earnings.

(iv) The managing agents of several mills are obtaining deposits from several merchants in their private account in consideration of their securing to the merchants a share in the selling agency business of the mills along with them.

(v) Here to annexed and marked "F" is a statement containing particulars of some cases in which managing agents and directors are indebted to their companies.

23. *Mill Finance.* It has been emphasised over and over again that it is contrary to sound finance to employ short-term or current deposits in fixed capital expenditure. The non-observance of this salutary practice has brought many a concern to grief. The effects of this system have been so grave that it is time the Board considered whether as recommended by the Industrial Commission this practice should not be prohibited by law.

24. *Purchase of Cotton.* My Committee have already drawn the Board's attention to the manner in which some mills buy cotton from parties with whom the agents are financially connected. They also find that managing agents own private ginning and pressing factories. They further find that cotton brokers also own ginning and pressing factories. Hereto annexed and marked "G" and "H" are two statements containing particulars of some such ginning and pressing factories. It is obvious that where cotton required by mills is ginned and pressed in the managing agents' or the cotton brokers' factories there is a possibility of purchases being confined to those centres only where the factories are situated without due regard to comparative cost and quality. Indeed this point has been referred to by the Tariff Board at page 131 of their report where they observe: "the system is only open to objection where managing agents are financially interested in such companies apart from the mills and we were informed by the representatives of the Bombay Millowners' Association that there are isolated cases of this kind".

While my Committee welcome legitimate forward transactions in cotton with a view to hedge, cases have come to light where the managing agents have entered into forward and other transactions of a speculative nature which have brought enormous losses to the mills so much so that a mill company being unable to meet its commitments had to be declared a defaulter.

My Committee also find that in certain mills purchases of cotton are not made either under the directors or the agents' supervision. This is most undesirable.

25. *Stores.*—It has been established in the last enquiry that several mill agents are directly or indirectly connected with persons acting as suppliers of stores to their mills. It is obvious that under such circumstances there is a possibility of the purchases being mostly confined to those parties only with whom managing agents are financially connected. In the opinion of my Committee this is one more instance where the personal interests of managing agents are likely to interfere with the real interests of their concerns.

26. *Sales.*—The Board will have seen from statement "A" annexed that several managing agents act as selling agents or guarantee brokers in spite of the recommendation of the Tariff Board to the contrary. The following instances will show how this practice has opened a door to a number of abuses:—

(i) A firm of managing agents started selling agency business of their mill but in a different name. Large sums remained due to the company by the selling agency firm at the end of every year and although they were shown in the balance sheets as such the shareholders were not informed of the managing agents' connection with the selling agents. Ultimately it was found that the funds belonging to the company were retained by the selling agents and were used in financing one of the partners of the agents' firm who subsequently became insolvent. The company has lost nearly Rs. 5 lacs.

(ii) Large amounts consistently remained due from a firm of managing agents who are also acting as selling agents of the company. The auditors did not specify the debt separately as required by law until their attention was drawn to the matter.

(iii) The following practice is being followed in some mills with regard to sales:

A partnership is started by the managing agents with an outside merchant. The business of the partnership is to do the selling agency business of the concern under the managing agents' control. In consideration of the merchant acquiring a share in the partnership he agrees to deposit with the partnership a certain sum which the partnership in turn agrees to deposit with the managing agents. It is agreed that the deposit should be repaid on the termination of the partnership or the selling agency. The main point to be noted is that the deposit instead of being made with the mill, as it should be, is made with the managing agents. Thus the mill is kept without any guarantee and is converted into an instrument for financing the managing agents. In some cases the deposit is made with the managing agents in the name of the merchant.

My Committee have already pointed out how selling agents are often appointed not because of their merit but because of their ability to provide finance. Cases have also come to light where managing agents have become personally indebted to selling agents. Consequently the selling agents succeed in obtaining an upper hand over the managing agents with the result that there is every possibility of the mill's interests suffering.

In the last enquiry the Bombay Millowners' Association in reply to question No. 90 stated that as far as the mills were concerned the system of sales on long credit did not exist. Instances have come to light which show that in consequence of very large sums, due to the mills for cloth sold, having been allowed to remain with selling agents, the financial position of the mills has been so seriously affected that ultimately a portion of the debts had to be shown in the balance sheets as doubtful.

In order that they may have full information in regard to methods of sales, my Committee suggest that the Board should call for selling agency agreements from different mills.

My Committee find that in certain mills, sales are not effected under the direct supervision of the directors or the managing agents or a member of their firm. This has led to inefficiency in sales.

My Committee are informed that commission agents who undertake to do the selling agency business of the mill also deal in cloth on their own account. They feel that such selling agents should be debarred from purchasing the goods manufactured by the mills of which they are the selling agents as there is a possibility of the mill's interests suffering.

27. *Overhead Charges.*—It has been established in the last enquiry that several managing agents are also agents to fire insurance companies, their activities in this direction being however confined to their own mills. In this connection the Board observe at page 89 of their report that they were informed by the representatives of the Bombay Millowners' Association that according to the rules of the insurance companies no part of the agents' commission is to be passed on to the mills. If this is so, how is it that the Wadia Brothers consistently credit to their mills the commissions received by them from the insurance companies of which they are agents? (See the relevant evidence at pages 197 and 198, Vol. II.) It is clear that if managing agents had the will to effect savings for the mills under their management, a remedy could be found to refund to the mills the commissions obtained. If the Board would be good enough to call for figures of insurance commissions obtained by managing agents they would be able to find out that a very large amount is being annually lost to the industry. But the matter does not end there. Many managing agents being agents for foreign insurance companies usually place their insurance with these companies to the detriment of the indigenous enterprise. Such a practice is undesirable in the case of a protected industry. It would be interesting to enquire how far the personal interests of the managing agents in the matter of insurance commission stand in the way of the mills undertaking their own fire insurance as suggested by the Board in para. 73 of their previous report.

28. My Committee find from the proceedings of the Fawcett Committee (page 329 and onwards) that in Bombay certain mills have indulged in the practice of employing mill superintendents who visit the mills and whose salaries are debited to the mills. As these superintendents do the work of the managing agents, my Committee submit that their salaries ought to be paid by the managing agents. This is a direction in which economies could be attained in Bombay mills. Pages 75 to 243 of Mr. Ratnagur's book (1927 Edition) contain an analysis of the working of individual mills from 1920 to 1925 with names of the mills' staff. A study of the analysis will reveal the fact that in several mills superintendents are employed in addition to managers.

29. Further economies in overhead charges in Bombay mills could be obtained by transferring offices in the Fort to the mills. Before the Fawcett Committee Mr. Sasakura of the Toyo Podar Cotton Mills stated that he was not put to any inconvenience by keeping his office in the mills' premises at Parel (page 285, Fawcett Committee Proceedings). As a matter of fact some agents have transferred their offices from the Fort to the mills. In his statement published at page 485, Vol. IV, Mr. Ambalal Sarabhai, a well-known managing agent, pointed out that one of the disadvantages in Bombay was that offices were away from mill premises which increased cost and interfered with close touch with the mill (page 488, Vol. IV). This has also been recognised by the Board as could be seen from the remarks at the bottom of page 87 of the Report. My Committee submit that the other businesses of the managing agents ought not to be allowed to stand in the way of attaining this much-needed reform which is conducive both to economy and efficiency.

30. *Valuation of Mill Stocks and Stores.*—In para. 76 of their report the Board observe: "The evidence we received showed that mill stocks and stores are almost always valued either at market rate or cost price whichever is less and we received no evidence to show that any mill changed its system

at any time to give a better appearance to its balance sheet". The Board then refer to the evidence given by Messrs A. F. Ferguson and Company, Chartered Accountants, and have come to the conclusion that "it does not seem that there is any room for improvement in this respect except that in our view, all mills should adopt the system now followed by the majority of them and should have their stock checked by the auditors". My Committee feel that the Board's observations about the practice in respect of valuation require modification. In the first place, under the statutory form "F" which is the form of balance sheet applicable to mills no mode of valuation has been prescribed for stores with the result that all mills do not show them at a specified valuation. In the second place, it is not correct to say that mill stocks and stores are almost always valued at either market rate or cost price whichever is less. The statement hereto annexed and marked "J" will show that the usual practice is not as stated by the Board. There is no doubt that the valuation "at cost or market price whichever is lower" is the ideal valuation but unfortunately it is not followed in several cases inasmuch as under the statutory form companies are not tied down to a particular mode of valuation. The result is that different companies value their stock in different ways as will be seen from the aforesaid statement. The scope for manipulation one way or the other on account of the defective character of the law can be judged from the fact that in a recent income-tax case it turned out that the mill company concerned had so grossly undervalued its stock that it represented barely 37 per cent. of the correct valuation on the basis of cost or market value whichever was lower.

My Committee find that in several cases uniform mode of valuation in respect of mills' stocks is not followed from year to year as will be seen from the statement annexed and marked "K". This practice is open to grave objection in that it enables mills to value their stocks in a way which might not disclose the true position.

31. *Audit.*—There is room for improvement in mills' audit. Many mills have not still adopted the Board's recommendation that their stock should be checked by the auditors. In the case of mills located outside Bombay but having their registered offices in Bombay the system of audit of mills accounts has been found to be unsatisfactory. The auditors in Bombay act on the mills returns which are not generally audited by an independent auditor. Cases have come to light where vouchers from the mills were not sent to Bombay along with the returns with the result that the auditors in Bombay did not even check the mills returns with the relative vouchers. In the case of up-country mills having offices in Bombay, it is most essential that mills accounts should be audited either by the Bombay auditors or by some local auditor.

32. *Accounts.*—Closely connected with the question of audit, is the question of the form of accounts. My Committee have found several defects in mills accounts. Firstly, in many balance sheets fixed capital expenditure is not distinguished under separate heads nor is the amount of depreciation separately allocated to each head. This has deprived the shareholders of material information as to how the main items of the block stand in the books. Several mills mostly in Ahmedabad show their block at "Book Value" which may or may not represent cost.

Secondly, in some cases investments are not sufficiently particularised with the result that shareholders do not know how their moneys are being invested. In some cases, even the mode of valuation of investments is not disclosed.

Thirdly, in many cases particulars of the values of the items constituting the Stock-in-trade are not separately specified. In the balance sheet of a mill company the item of stock-in-trade is always an important item. The shareholders have therefore a right to know how the company's position stands with reference to the three main items, namely, cotton, cloth and yarn. Without these essential particulars the whole position remains obscure.

Fourthly, in some cases the profit and loss account is not annexed to the balance sheet. This is a vital defect in the law and must be remedied.

In several cases where the profit and loss account is attached to the balance sheet, clear information is not given. In many instances proceeds of yarn and cloth are lumped up; in some cotton, coal and stores are lumped together. In some, office establishment charges and the managing agents' remuneration are lumped with mill wages and salaries while in others the selling agents' commission is not shown. The object of a profit and loss account is to show the course of receipts on the one hand and the course of expenditure on the other from year to year. It is obvious that where receipts or expenses are indiscriminately jumbled together, the whole position becomes obscure. As remarked at page 87 of that well-known book "Britain's Industrial Future." "In large companies of diffuse ownership, where the shares are mainly held by the general public and not by interests represented by the directors, abuses are increasingly frequent, for which the secrecy of accounts is at least partly responsible. The common practice of publishing balance sheets which convey entirely inadequate information to the shareholders themselves or can only mislead them, facilitates the continuance of gross mismanagement, and is the cause of loss and deception for the investing public by placing a premium on 'inside information' gossip, and breach of confidence." My Committee therefore desire to put in a strong plea for more information in mills accounts.

33. *Revision of the Indian Companies Act.* As modern business is conducted through the medium of joint stock companies it is obvious that legislation governing the management and administration of joint stock companies has a vital bearing on the efficiency of industries, including the cotton textile industry. It was because the English Companies Consolidation Act 1908, was found to be inadequate that the same was amended in material particulars and a new Act called the English Companies Act, 1929, has come into force. As the Indian Companies Act has been modelled on the lines of the English Companies Act, 1908, it is clear that the Act requires to be revised in the interest of the country's industries and the investing public with due regard to Indian conditions. My Committee find that in the last inquiry considerable evidence was recorded in regard to amendment of the Indian Companies Act. At this stage of the inquiry, they have no desire to go into this matter in detail. They would, however, request the Board to see that in their questionnaire a question is included inviting the views of witnesses as regards the adequacy or otherwise of the Indian Companies Act in so far as it affects efficiency in the conduct and management of Indian cotton mills which are mostly limited companies.

34. *Costs of Production Statements.*—There is no doubt that in this inquiry the Board will call for costs of production statements more or less on the lines of the statements A and B annexed as Appendix A to the last questionnaire. In this connection my Committee have the following suggestions to make:

(i) Regarding the item of cost of cotton, separate figures for muccadamage, brokerage and other incidental charges should be called for as this will enable the Board to make comparisons. It will also be useful for the Board to know how far the cost of cotton has been affected by credits or debits made in respect of operations in cotton.

(ii) Regarding the item of superior supervision, mills must be asked to distinguish expenditure, if any, on account of payments made to superintendents and any members of the managing agents' firm. They must also be asked to distinguish any expenditure debitable to office but charged to superior supervision.

(iii) Figures for the selling agents' commission should be separately asked for as this will enable the Board to make comparisons. Again a group of mills have adopted the practice of debiting selling agents' commission to cloth account. This being so, it is necessary for the Board to know how far the total cost is affected by this practice. Separate figures, if obtained, will throw light on this point.

(iv) Separate figures for the managing agents' remunerations and office allowances or salaries should be called for to enable the Board to make comparisons

(v) A note should be appended to the statements asking for separate figures of commissions received by managing agents or by parties with whom they may be connected in respect of the following :—

(a) Purchase and sale of cotton

(b) Purchase of coal and fuel

(c) Purchase of machinery

(d) Purchase of stores

(e) Insurance

(f) Sale of cloth

(g) Sale of yarn

(h) Sale of waste

(i) Any other item not specified such as commission on capital expenditure etc etc

These figures will be of much use in that they will give the Board an idea as to the nature and extent of commissions obtained by managing agents

35 *Directors* In their previous report the Board have expressed the view that the choice of directors is a matter which rests with the shareholders My Committee are afraid there is considerable misconception on this point Anybody acquainted with articles of Association will admit that the shareholders powers as regards appointment of directors are limited To start with managing agents put one or two and in some cases even three nominees on the Board and these nominees are irremovable Then comes the debenture or special director who is equally irremovable Then under the articles only a small proportion of directors retires by rotation at the annual general meeting In this connection the articles as a rule provide that a new director in place of the one retiring by rotation will not be eligible for election unless a specified number of days notice is previously given to the company The time laid down is generally eight to ten days In many cases it has become impossible to conform to this regulation in as much as balance sheets are received eight days before the date of the meeting

It is argued that it is open to shareholders to remove any director they like This is a half truth In the first place articles of certain companies do not give any power to shareholders to remove a director before the expiration of his term of office In the second place managing agents' nominees special and debenture directors are irremovable as already stated above Again as regards those directors who could be removed the procedure is cumbersome A requisition is first to be made and then a meeting is held some time after Several articles lay down that an extraordinary or special resolution should be passed for removing a director In such cases, it is always very difficult to get a three-fourths majority This however is not the whole story Certain articles lay down that the Board will have power to fill in casual vacancies or to make additional appointments It has been held that in such cases shareholders have no power to fill in casual vacancies or to make additional appointments unless the articles have expressly conferred such power upon them In many cases articles do not give such power to shareholders with the result that their right to fill in casual vacancies or to make additional appointments is curtailed. Thus the notion that the choice of directors is a matter for shareholders is, under the existing state of the law, a highly exaggerated notion

36. *Conclusion.*—My Committee trust that this representation will be considered *only as suggestive* of certain directions in which the inquiry into the Cotton Textile Industry should be made with a view to place the industry in a sound and impregnable position through the achievement of internal economies and improvements in organisation. As pointed out at the outset, my Committee will make an endeavour to put their views before the Board on the necessity of ensuring protection to the industry in the coming years after the questionnaire is issued. My Committee however have no hesitation in explicitly giving the Board to understand that representing, as the Bombay Shareholders' Association does, the interests of the investing public who stake in the well-being of the industry cannot be disputed, they are firmly convinced that under the present circumstances of foreign competition to which the industry is subject a prolonged period of adequate protection against foreign imports is a *sine qua non* of the continued existence and future prosperity of the industry. In reply to the Board's questionnaire they also hope to submit their views as regards the measures required to improve management.

EXHIBIT A.—*Statement containing particulars of cases in which Managing Agents act as selling agents or are connected with selling agents.*

1. *Bradbury Mills*	In the selling agencies of all these mills Currimbhoys have a share.
2. *Currimbhoy Mills*	
3. *Fazulbhoy Mills*	
4. *Crescent Mills*	
5. *Ebrahimbhoy Pabaney Mills*	
6. *Kastoorchand Mills*	
7. *Pearl Mills*	

8. *Indore Malwa United Mills.*—Currimbhoys themselves are the selling agents.

9. *Edward Sasoon Mills*	Messrs. Arnhold & Co., Ltd., are the selling agents for Calcutta for these mills. Arnhold & Co., is a concern incorporated in China and Messrs. E. D. Sassoon & Co., Ltd., the agents of the above companies are its general managers for Bombay.
10. *Meyer Sasoon Mills*	
11. *E. D. Sasoon United Mills*	
12. *Finlay Mills*	Messrs. James Finlay & Co., the managing agents are themselves the selling agents at Calcutta and Karachi.
13. *Gold Mohur Mills*	
14. *Satya Mills*	
15. *Swan Mills*	

16. *Jubbilee Mills.*—Messrs Mangaldas Metha & Co., the managing agents are the selling agents at Calcutta.

17. *Victoria Mills.*—Messrs. Mangaldas Mehta & Co., the managing agents are partners of Messrs. Chimonlal Mangaldas & Co., the selling agents of the Company at Calcutta.

18. *Khandesh Spinning and Weaving Co.*—Messrs. Mulji Jetha & Co., the managing agents are the selling agents at Adoni, Calcutta and Jalgaon. They are also connected with Messrs. Chatarbhuj Gordhandas & Co., who are the selling agents at Cawnpore and Delhi.

19. *Jam Shree Ranjitsinhji Spinning and Weaving Company.*—Messrs. Chatarbhuj Gordhandas & Co., the managing agents are selling agents in Bombay, Delhi, Cawnpore and Calcutta. They are also connected with Messrs. Mulji Jetha & Co., who are the selling agents at Adoni.

20. *Mysore Spinning and Weaving Company* }
21. *Minerva Mills* } Messrs. N. Sirur & Co., the managing agents are also the selling agents in Bombay. They are also connected with the N. A. Sirur Agency, who are selling agents for these companies in Hubli, Raneebennur and whole of ceded districts of Sholapur and Gadag.

22. *Osmanshahi Mills.*—Currimbhoys, who are the managing agents are the selling agents at Nanded (N. G. S. Railway).

23. *Pralhad Mills.*—Messrs. Pratapgir Narsinghgirji & Co., the managing agents are intimately connected with Messrs. Himatgir Pratapgir & Co., the selling agents of the Company.

24. *Rai Bahadur Bansilal Abirchand Mill.*—Rai Bahadur Bansilal Abirchand, the managing agents are also the selling agents at Calcutta and Waraseoni, Sambalpur, Jubbulpore and Bangalore.

25. *Sholapur Mills.*—Messrs. Jhajhoria Dhandhania who are the partners of Messrs. Morarji Goculdas & Co., the managing agents are also selling agents of the Company of Bombay, Calcutta, Delhi and Bangalore.

26. *Standard Mills Co.*—Messrs. Mafatlal Gagalbhai & Sons, the managing agents are also the selling agents at Calcutta and Ahmedabad.

27. *Broach Fine Count Spinning and Weaving Company.*—Messrs. Brijlal Bilasrai, the managing agents are the selling agents.

28. *Bhagirath Spinning, Weaving and Manufacturing Company.*—Messrs. Bhagiratha Ramachandra & Co., the managing agents are the selling agents. It is understood that under a scheme of arrangement recently arrived at, the managing agency has been acquired by Gendalal Surajmal & Co., who have also been appointed selling agents.

29. *Hukumchand Mills.*—Messrs. Sarpoochand Hukumchand & Co., the managing agents are the selling agents.

NOTE.—The above particulars are not exhaustive. Many Ahmedabad Mills Agents are either the selling agents for their Mills in different centres or are interested in Firms who are acting as selling agents.

EXHIBIT B.—*Statement containing particulars of cases in which Managing Agents have received commission although the mills made losses.*

Names of Companies.	Year.	Loss.	Commission
		Rs.	Rs.
Meyer Sassoon Mills	1929	1,45,385	36,000
E. D. Sassoon United Mills	1928	21,07,773	1,20,000
Ditto	1929	21,25,663	1,20,000
Edward Sassoon Mills	1925	1,92,650	36,000
Ditto	1926	1,64,494	36,000
Ditto	1928	4,01,442	36,000
Ditto	1929	3,09,303	36,000
David Mills Company	1926	4,17,265	12,000
Ditto	1929	5,43,647	12,000
Ebrahimbhoy Pabaney Mills	1925-26	3,917	36,000
Ditto	1926-27	86,077	36,000
Ditto	1928-29	3,75,832	36,000
Pearl Mills	1928-29	6,13,633	36,000
Fazulbhoy Mills	1928-29	5,78,259	36,000
Currimbhoy Mills	1925-26	3,07,291	40,000
Ditto	1928-29	4,52,681	40,000
Crescent Mills	1925-26	66,676	12,000

Names of Companies.	Year.	Loss.	Commission.
		Rs.	Rs.
Crescent Mills	192[illegible]-29	3,34,626	12,000
Indian Bleaching Company	1928	99,684	24,000
Gold Mohur Mills	Oct. 1927 to Dec. 1928	97,098	50,000
Finlay Mills	1928	1,19,895	36,000
M. Goculdas Spinning and Weaving Company	1927-28	30,226	36,000
Ditto	1928-29	9,39,843	36,000
Manockji Petit Mills	1928	2,94,381	2,76,986
Emperor Edward Mills	1925	7,00,000	72,000
Madhaoji Dharamsi Manufacturing Company	1925-26	7,82,263	35,000
Ditto	1927-28	11,878	35,000
Ditto	1928-29	4,42,553	35,000
Ditto	1929-30	3,59,341	35,000
Standard Mills	1926-27	6,12,873	37,500
Simplex Mills	1925-26	2,29,564	15,000
		34,407	15,000
Sir Shapurji Broacha Mills	1923-24	1,57,804	48,000
Kohinoor Mills	1928	76,394	12,000
Ditto	1929	57,644	12,000
Framjee Petit Mills	1928	1,15,774	36,346
Ditto		4,07,611	12,309
Moon Mills	1930	2,00,947	Commission is drawn but the exact amount is not stated.

NOTE.—The above statement is not exhaustive.

EXHIBIT C.—*A note on the practice to invest funds in allied concerns.*

s, Ltd., under the agency of Messrs. Tata Sons, Ltd., bought the Bombay United Mills for Rs. 1,26,00,000. In 1922 Tata Mills issued debentures for Rs. 1,00,00,000. The Nagpur Svadeshi and Ahmedabad Advance Mills under the same agents subscribed to these debentures in the following proportions:—

	Rs.
(1) Nagpur Mills	20,00,000
(2) Svadeshi Mills	28,00,000
(3) A. Advance Mills	12,00,000

The financial condition of the Tata Mills steadily deteriorated. In 1928 it brought forward a proposal for reduction of the debenture interest from 7½ per cent. to 6 per cent. The debentureholders accepted the proposal.

Ultimately in 1925 the Directors of the Svadeshi Mills decided to buy over the Bombay United Mills for Rs. 36 lacs.

The purchase of the debentures seriously affected the financial position of the three purchasing companies, who continued to borrow moneys from outside for their own purposes. The purchase of the debentures, the subsequent reduction in the rate of interest and the purchase of the Bombay United Mills by the Svadeshi Mills were facilitated owing to the existence

of commission agents. Several Directors were also common. The bulk of the debentures has hitherto remained unpaid and the prospects of their ultimate redemption are not within the region of absolute certainty.

2. In 1927 several mills under the agency of Messrs. Currimbhoy Ibrahim & Sons, Ltd., purchased shares of the Premier Mills under the same agents in the following proportions :—

			Rs.
Fazulbhoy Mills	45,713 shares of	4,57,130
Pearl Mills	36,113 shares of	3,61,130
Crescent Mills	36,113 shares of	3,61,130.
Indian Bleaching	19,200 shares	1,92,0
Total	137,139	13,71,390

Some time ago it was proposed to take the Premier Mill into liquidation. Its shares are nominally quoted at Rupee one. The purchasing companies have suffered heavily. The purchases were facilitated because the agents and most of the Directors were common. The Capital which the Premier Mill obtained from the sister companies was part of the New Capital of 18 lakhs which it issued. The bulk of this amount not having been taken up was allotted to the sister companies. The new capital obtained by the Premier Mill was utilised in paying off a portion of its unsecured debts including a substantial amount due to the managing agents. It will be seen that the solvent companies under the same agency were financially crippled to salve a company which was thoroughly wrecked and was beyond all hope of being kept solvent. The subsequent result has been that the Premier mill in spite of the assistance has failed to keep its head over water while it has dangerously paralysed the financial position of the sister mills which were forced to its assistance.

3. Besides the transactions alluded to in the foregoing item No. (1), number of inter-company loans will be found on a reference to the balance sheets of the Ahmedabad Advance, Svadeshi and Nagpur Mills. The names of the borrowing companies have not been disclosed but it is understood that most of these loans (where they were given to companies) were given to sister companies. The particulars taken from the relevant balance sheets are as follows.—

Year.	Names.	Amount of Loan. Rs. in lakhs.
Ahmedabad Advance Mills—		
1921-22	Fixed Deposits with David Mills .	
	Call Loan with Tata Mills . .	
1923-24	Banks and Joint Stock Companies	11
1924-25	Ditto ditto	11·5
1925-26 to 1929-30	Joint Stock Companies	4·42
1930-31	Joint Stock Companies (Guaranteed by Tata Sons, Ltd.)	4·42
Svadeshi Mills—		
1924 . .	Banks and Companies	26
1925 . .	Ditto	11·48
1926 . .	Ditto	12·12
1928 . .	Ditto	9·64
1929 & 1930 .	Deposits with companies (Guaranteed by Tata Sons, Ltd.)	4·64
1931 . .	Ditto ditto .	4·14
Nagpur Mills—		
1929-30 .	Deposits (Guaranteed by Tata Sons) .	2·72
1930-31 .	Ditto ditto .	2·72

Although the loans have been subsequently guaranteed by the Managing Agents the fact remains that almost all of them were advanced at a time when the lending companies were borrowing moneys from outside as can be easily seen from the relevant balance sheets

4. The balance sheet of the Sir Shapurji Broacha Mills for the year ended 31st March, 1924, will show that a sum of Rs 4,35,353-5-4 was advanced to the Indian Woollen Mills under the same agents, viz, Messrs Mathuradas Goculdas & Co The loan mounted up with the result that in the year 1925 the Broacha Mills had to take over the Indian Woollen Mills as a result of which it has suffered heavy losses

5 In 1923-24 the Madhaoji Dharamsi Manufacturing Company, under the agency of Messrs Goculdas Madhaoji Sons & Co also advanced to the Indian Woollen Mills a large amount which was shown in the balance sheet for that year at Rs 6 59 439-5-3 On the acquisition of the Woollen Mills by the Broacha Mills, the debt was and is being shown as due by the Broacha Mills In the last balance sheet for 1930-31 the debt stands at Rs 11,64,428-7-11 and is shown to be doubtful

6 The balance sheet for the year ended 30th June 1925, of the Morarji Goculdas Mills shows that the Mills advanced a loan of Rs 1,27,210-10-11 to the Dharamsi Morarji Woollen Mills under the same management This debt continued to swell and the Woollen Mills have gone into liquidation and a portion of the debt amounting to nearly Rs 1 lac is in dispute as will be seen from the balance sheet as at 30th June 1931

8 The balance sheets of various companies under the agency of the Currimbhoys bristle with interlocking loans and advances to sister companies

9 The balance sheet for 1928 of the Rajkumar Mills at Indore under the agency of Sir Saroopchand Hukumchand & Co, shows a small debt due by sister mills There is no further information on the point

10 The balance sheet for 1930 of the Victoria Mills of Bombay under the agency of Messrs Mangaldas Mehta & Co shows a sum of Rs 9,97,000 as being due by Companies in which either the managing agents or directors are interested This practice appears to have commenced from 1928 as will be seen from the relevant balance sheets

11 The balance sheets of the Kalyan Mal Mills Ltd Indore show that large loans were advanced to the Planet Mills of Bombay whose managing agents were Ahmed Rahim & Co in which firm it is understood a partner of the firm of the managing agents of the Kalyanmal Mills was interested

12 The balance sheet of the Finlay Mills for 1926 would show a loan of Rs 5,50,000 to the Swan Mills under the same agents

13 The balance sheet of the Gold Mohur Mills as at 30th September 1927, shows that the Finlay Mills under the same agency had advanced to it a loan of Rs 3 lacs

14 The advances in the case of the Saraspur Edward and Shrinagar Mills under the agency of Jagabhai Manibhai & Co, and those in the case of the Whittle Mills Broach Swadeshi and Asarva Mills, Ahmedabad, Surat Industrial Mills Surat and the Viramgam Spinning Viramgam Alfred and Viramgam Industrial Mills, Viramgam, under the agency of Mr Nagindas which resulted in heavy losses amounting to Rs 1¼ crores and resulted in liquidation of other good concerns are recorded in the proceedings of the last Tariff Board enquiry

15 The advances in the case of the Bengal Laxmi Cotton Mills which nearly crushed the company and which resulted in convictions of the managing director who acted as a cotton broker to the mills are well-known

16 The Osmanshahi Mills under the agency of Messrs Currimbhoy Ibrahim & Sons, Ltd, have purchased 12,000 shares of the Azamjahi Mills under the same agency

The Azamjahi Mills was recently floated The share capital was kept at 18 lakhs of which Osmanshahi Mills took up 12 lakhs Debentures for 12 lakhs were issued of which the Nizam State took up 10 lakhs. The

Osmanshahi Mills issued debentures of 12 lakhs which the Nizam State took up. These debentures were issued to facilitate among other things the purchase of the Azamjahi Mills shares. Thus the Osmanshahi Mills mortgaged its property to purchase shares of a mortgaged concern.

Both the concerns have been mortgaged with one creditor. It may be added that the purchase of the Azamjahi Mills shares was made by a resolution of the company in General Meeting.

17. By a resolution of the shareholders, the Raipur Manufacturing Company under the agency of Messrs. Lalbhai Dalpatbhai & Co., have purchased shares of the value of Rupees twenty-five lakhs of the Arvind Mills, a new concern floated under the agency of Narottam Lalbhai & Co.

NOTE.—This not is not exhaustive.

EXHIBIT D.—(*Correspondence.*)

28th June, 1930.

To

The Secretary,

The Bombay Millowners' Association,

Bombay.

Dear Sir,

I am desired by my committee to thank you for your letter of the 21st last enclosing two statements giving particulars of the names and addresses of selling agents and the reductions of capital brought about by certain mills.

1. Mr. Mody the President of your Association in his speech in the last sessions of the Legislature stated as follows:—

(*a*) That during the last three years a sum of Rs. 18 lakhs had been given up by managing agents for commission.

(*b*) That during the last three years a sum of Rs. 85 lakhs was lost by managing agents in the concerns in which they had invested it.

(*c*) That a sum of Rs. 2 crores belonging to managing agents and lent to their concerns had had to be converted into capital.

(*d*) That vast sums had been lent by managing agents at bank or even less than bank rates.

(*e*) That in some cases managing agents had given up interest on their loans.

My committee will feel obliged if you will be so good as to supply them with particulars bearing on the aforesaid points.

2. My committee will also feel obliged if you will please send them a copy of the report of the delegation headed by the Right Hon'ble Thomshaw.

3. My committee will also thank you if you will furnish them with a statement containing the names of those Bombay Mills where the agency commission is being charged on production or sales; also the names of those mills in which more than 10 per cent. is charged as commission.

4. On a reference to your Association's report for 1929, my committee have come across a statement showing what your Association has done with regard to recommendations contained in paras. 59 to 70 of the Tariff Board's report which in turn correspond with recommendations 45 to 65 given at the end of the report. My Committee however do not know what your Association has done to carry out various other recommendations of the Tariff Board particularly the following:—

(*a*) Recommendation No. 27 which states that greater attention should be paid to diversification of production and more direct contact with consuming centres (para. 47).

(b) Recommendation No. 41 which states that managing agents would be well advised to employ brokers who do not operate on their own account in cotton and who are not themselves in actual possession of cotton (page 53).

(c) Recommendation No. 44 which states that managing agents should exercise the closest supervision over all purchases of stores.

(d) Recommendation No. 67 which states that the Bombay Millowners' Association should consider the possibility of undertaking fire insurance for its members.

(e) Recommendation No. 70 which states that mill stocks should in all cases be checked at audit.

(f) Recommendation No. 72 which states that the Bombay Millowners' Association should take immediate steps to obtain full range of samples and to maintain full record of prices of all important cotton manufactures which compete with Indian goods.

(g) Recommendation No. 73 which requires the Bombay Millowners' Association to constitute sub-committees to deal with questions relating to export and home markets and other matters.

(h) Recommendation No. 75 which suggests that at least one member of each firm of managing agents should have received technical training.

(i) Recommendation No. 76 which states that the practice of investing the surplus funds of mills with firms of shroffs is undesirable and should be discounted as also that of lending the funds of one concern to another under the same agency.

(j) Recommendation No. 87 which states that representatives of mills should visit consuming centres from time to time in order to acquaint themselves closely with the character of the demand.

(k) Recommendation No. 88 which required the Millowners' Association to arrange for trade correspondents in the principal consuming centres.

(l) Recommendation No. 89 which requires that managing agents should not act as guarantee brokers for the mills they control.

(m) Recommendation No. 91 which emphasises that the development of the export trade would be a valuable means of relieving depression.

(n) Recommendation No. 94 which suggests that the industry should examine the feasibility of a combination of the mills interested in the export trade.

(o) Recommendation No. 117 which emphasises the importance of having representatives in the principal export markets.

Besides the above recommendations of the Tariff Board, the report of the Trade Mission contains various recommendations regarding the development of export market. My committee will therefore feel obliged if you will let them know what has been done to carry out all these various recommendations.

My committee desire to inform you that they are asking for the aforesaid information in view of the statements contained in para. 61 of the last Budget speech of the Hon'ble the Finance Member and the Debates in the Legislative Assembly on the Cotton Textile Industry Protection Bill. They are only anxious to appreciate the present position of the industry and the possibilities of future improvements in the same in the interest of shareholders. They therefore hope that the information asked for will be furnished.

Yours faithfully,

Hon. Secretary.

Bombay, the 31st July, 1930.

To

The Honorary Secretary,

The Bombay Shareholders' Association,

Aga Khan Building, Dalal Street,

Bombay.

Dear Sir,

I write to acknowledge the receipt of your letter of the 28th June in which you state your Committee is desirous of obtaining certain information regarding (1) The Bombay Cotton Textile Industry, and (2) the action taken by the Association on the recommendations of the Tariff Board and the Trade Mission, set out at length in your letter under reply.

1. With reference to your request to be supplied with particulars in support of the statement made by Mr. Mody in the Assembly on the subject of the losses incurred by Managing Agents of Mills, I may say that in respect of the amount of agency commission given up by Managing Agents of Mills, the information was obtained from the respective balance sheets of the different mills whose agents had given up their commission, whereas with regard to the other facts referred to in sub-paras. (*b*), (*c*), (*d*) and (*e*) of para. 1 of your letter, I have to inform you that the requisite information was supplied by members in response to a special circular requesting them to furnish it on a definite understanding that the figures would only be used for the compilation of a general statement covering the industry as a whole.

2. I have only one copy of the report of the Tom Shaw Delegation, which I am sending you herewith with a request that it may be returned as soon as done with.

3. The underquoted figures will, I trust, be deemed sufficient for your purposes, as you will readily understand my reasons for withholding the names of individual mills:—

Of the 71 mills which were members of the Association at the time this information was obtained, *viz.*, 1928—

(*a*) 1 mill pays commission on production,

(*b*) 1 mill is managed by a Managing Director whose rémuneration is fixed by the Directors,

(*c*) 8 mills pay commission on sales, and

(*d*) 61 mills pay commission on profits.

4. (*a*) The movement which the Tariff Board referred to had already started when the Tariff Board reported, as will be obvious from the following figures:—

Production of yarn above 30s (Bombay Island).

	Lbs.	
1925-26	8,888,778	
1926-27	13,508,268	
1927-28	17,806,191	
1928-29	11,700,348	6 months' strike.
1929-30	17,703,108	4 months' strike.

Production of dhutis (Bombay Island).

	Yds.	
1925-26	115,412,150	
1926-27	150,181,287	
1927-28	168,795,191	
1928-29	86,508,559	6 months' strike.
1929-30	170,834,693	4 months' strike.

It has also continued steadily since. In considering the figures given in the above tables, due allowances must be made for the six months' strike in 1928-29 and the strike of 4 months in 1929-30.

(*b*) This is not a definite recommendation, but it is merely a suggestion, and no specific action was, therefore, called for, expect to draw the attention of mills to the paragraph in which this matter is dealt with, and this has been done. The suggestion in the summary of recommendations, quoted by you appears on page 131 of the report, and should be read with its context. I sub-join the paragraph referred to in full:—

> "Among the charges brought against the managing agency system was that lax supervision permitted the delivery at the mills of cotton both inferior in grade and smaller in quantity than that for which the order was placed by the managing agents. Our examination of the system adopted for the purchase of cotton by the managing agents showed that it was impossible that there should be any substantial foundation for the charge, but we are of opinion that managing agents would be well advised, in their own interests, to employ brokers who do not operate on their own account and who are not themselves in actual possession of cotton. The acceptance of this suggestion would materially reduce any possibility of the substitute of inferior cotton."

(*c*) The Tariff Board state that no direct evidence regarding charges of corruption in the purchase of stores was forthcoming, but that the persistency of such allegations would seem to show the desirability of the managing agents exercising the closest supervision over all purchases of stores. I need not add that every thing possible is being done in the way of supervision.

(*d*) The force of this recommendation has decreased considerably owing to the success which has attended the efforts of the Association in obtaining a reduction in fire insurance rates, which amounts roughly to 40 per cent. The present rates are comparable with rates in European countries. The question of undertaking fire insurance as an Associated is, however, still under consideration.

(*e*) On the evidence before the Board, it was found that mill stocks and stores were almost always valued at either market rate, or cost price, whichever is less, and there was nothing to show that any mill had changed its system at any time in order to give a better appearance to its balance sheet. The suggestion in question was mainly intended to indicate that all mills should follow the same practice. The Tariff Board recommendations would seem to apply with more force to Ahmedabad and up-country mills. As far as the Association is aware, Bombay mills follow the procedure suggested, and there does not seem to be any need for further action.

(*f*) The Association has already a representative range of samples of Japanese products which compete with Indian goods, together with a record of their prices. Since the passing of the Cotton Tariff Act, the Association has taken steps to obtain a wider selection of samples of foreign goods coming into this country, which it might be possible to replace with Indian manufactures. The Association is collaborating with the Government of India for the maintenance of a price-record of the different sorts in all important lines of foreign imports. The Trade Mission has also brought back a large selection of samples of foreign goods imported into the countries visited by the Mission, which have been freely made use of by member mills.

(*g*) The Association has constituted special sub-Committees to deal with questions requiring specialised knowledge of the subject brought up before them. I enclose a list of the permanent sub-Committees. In addition, special sub-Committees are appointed from time to time to consider particular problems.

(*h*) The appointment of Directors is, of course, a matter in which shareholders of the company have full power, and it would therefore appear that, if changes were considered desirable, they could be affected.

(*i*) This recommendation has specific application to the practice of Ahmedabad Mills, as stated in the report itself. There is no reference in this connection to Bombay Mills.

(*j*) & (*k*) The despatch of the Exhibition Train in January last, organised by the Association, was an attempt to acquaint members with the needs of up-country markets, and to ascertain how far foreign goods fulfilled those needs. A scheme is also under the consideration of the Selling Agents at present for periodically sending out travelling agents to study up-country markets, and report how best to replace foreign by Indian goods. Members of the Association are also frequently taking part in exhibitions of cotton piecegoods in different parts of the country, and it may be interesting to your Committee to know that space has been reserved for some members of the Association on the Pujah Bazar Special to be run during August next by the Eastern Bengal Railway.

Reports on up-country markets from special correspondents are also received periodically by the Association, from which the points of interest are extracted and communicated to members. Up-country merchants and dealers visiting Bombay are also encouraged to put themselves in touch with the Association during their visit, and this facility has been more freely taken advantage of during the last twelve months.

(*l*) This practice is exceptional in Bombay.

(*m*) The Trade Mission appointed by the Government of India in 1928, and towards the cost of which the Association spent a considerable amount of money, indicates the Association's readiness to explore all avenues for improving the export trade.

(*n*) Your Committee must be aware of the plans for the amalgamation of certain Bombay Mills, and if it eventuates, it would be possible for them to control their export trade as well.

(*o*) It was mainly due to the insistence of the Association on the appointment of Trade Commissioners in various foreign countries that Government have announced three such appointments in the near future.

It will be clear from a perusal of the Trade Mission report that the members of that Mission were of opinion that the home market was of paramount importance, and it is the position in the home market which is, at present, the chief consideration of the Association though, as a matter of fact, a number of agents have been appointed in foreign countries recently by individual firms.

My Committee hope that the information set forth in this letter will enable your Association to gauge what has been, and is being done in regard to the recommendations of the Tariff Board.

Your Association will, I think, agree that the paramount need of the moment, as far as the local Industry is concerned, is that there should be an early restoration of normal trading conditions which would bring about a return of confidence in the minds of the investing public, and would facilitate the sale of the products of the local industry. My Committee trust that your Association, which is so fully aware of the facts of the present situation, will take every step which lies in its power to bring about this return to normality.

I shall, of course, be pleased to elaborate the information given in this letter, if you care to call on me personally.

THE MILLOWNERS' ASSOCIATION, BOMBAY.

STANDING SUB-COMMITTEES.

For the year 1930.

The Chairman and Deputy Chairman are *ex-offiaio* members on all committees.

Power sub-committee:

Mr. C. N. Wadia, C.I.E.
Mr. Mark Binnie.
Mr. J. D. uber.
Mr. F. F. Stileman.
Sir Mummohandas Ramji, Kt.

Finance and Taxation Sub-Committee:

Sir Ness Wadia, K.B.E., C.I.E.
Sir Joseph Key, Kt.
Mr. F. E. Dinshaw.
Mr. N. B. Saklatvala.
Mr. Albert Raymond.

Trade Development:

Sir Mummohandas Ramji, Kt.
Mr. F. Stones, O.B.E.
Mr. E. G. Currimbhoy.
Mr. S. D. Saklatvala.
Mr. A. Geddis.
Mr. Lalji Naranji, M.L.C.

Labour Sub-Committee:

Mr. A. Geddie.
Mr. F. Stones, O.B.F.
Mr. D. F. Batliwala.
Mr. S. D. Saklatvala.
Mr. H. F. Milne.
Mr. D. N. Sirur.

Trade Marks Sub-Committee:

Mr. T. V. Baddeley.
Mr. Osman Sobani.
Mr. H. F. Commissariat.
Mr. H. H. Sawyer.
Mr. A. F. Currimbhoy.
Mr. F. F. Stileman.

Technical Sub-Committee:

Mr. J. G. Anderson.
Mr. C. P. Wadia.
Mr. T. Watts.
Mr. W. Pennington.
Mr. Hadavji D. Thakersey.
Mr. D. F. Batliwala.

1st December, 1930.

To

The Secretary,

The Bombay Millowners' Association,

Bombay.

Dear Sir,

I am directed to acknowledge the receipt of your letter of the 31st July last bearing No. 1854/155 of 1930 and to send you a reply to the same.

1. My Committee cannot appreciate the reason for withholding information on the facts referred to in sub-paras. (*b*), (*c*), (*d*) and (*e*) particularly when it is the expressed opinion of your Chairman that they reflect credit on the mills managing agents. My Committee hope that on reconsideration your members will consent to furnish the required information.

2. I have to thank you for sending the report of the Tom Shaw Delegation which I have since returned.

3. In the opinion of my Committee efforts should be made to get the managing agents of the mills which pay commission either on production or on sales to fall in line with the practice of the other mills which pay commission on profits although the ultimate ideal before the industry should be the employment of a paid managing director either on salary or commission or both who should be under the control of the Board.

In my letter of the 28th June last I asked for information about the names of mills which paid more than 10 per cent. as commission. Your reply is silent on this point. I shall therefore thank you to send me the required information.

4. (*a*) I append below figures of production of yarn above 30s in Bombay and Ahmedabad during the four years 1926-27 to 1929-30:—

Year.	Bombay. Production of yarn over 30s.	Total.	Ahmedabad. Production of yarn over 30s.	Total.
1926-27	13,508,268	344,859,030	13,086,545	105,907,878
1927-28	17,308,191	318,746,862	13,217,727	111,112,716
1928-29	11,700.348	153,752,893	16,704,883	116,718,430
1929-30	17,703,103	263,216,744	21,299,215	135,776,822

The figures show that the percentage of counts above 30s spun in Bombay is insignificant in proportion to the total production. As compared to Ahmedabad the Bombay industry is far behind *pro rata* in the production of counts above 30s. In bringing this aspect to your notice my Committee cannot do better than quote the following remarks of the Tariff Board:—

"We cannot but think that, in this adherence to the coarser counts, as compared with Ahmedabad, is to be found one reason why conditions in Bombay during the last four years have been so much less favourable than they have been in Ahmedabad."

With regard to piecegoods there is considerable scope for increasing the pace of diversification even with the present equipment of Bombay Mills. One essential pre-requisite for the greater diversification of production is close and direct contact with the consuming centres which is at present acknowledged to be lacking.

(*b*) The line of action suggested is not only sound but is free from suspicion inherent in the present method; It is therefore eminently desirable that it should be uniformly adopted by the industry and my Committee look to your Association to secure the same.

(*c*) My Committee would be glad to have information on the action taken by your Association in regard to supervision over purchases of stores.

(*d*) My Committee note that the question of undertaking fire insurance as an Association is under the consideration of your Association. In this connection my Committee would bring to your Association's notice the example of the Nagpore Mills which has built up a substantial insurance fund.

(*e*) This reply is hardly to the point so far as the question refers to checking of mill stock. The Tariff Board is emphatic on the point that mills should have their stock checked by the Auditors as will be seen from the following passage in para. 76 of the report:—

"A full description of the methods of audit adopted by the Bombay Mills will be found in the evidence of Messrs. E. F. Ferguson & Co., the Chartered Accountants, who audit a large number of them, and it does not seem that there is any room for improvement in this respect except that, in our view, all mills should adopt the system now followed by the majority of them and should have their stock checked by the Auditors."

Please let me know what measures your Association proposes to take to give effect to such an important recommendation.

(*g*) My Committee will feel obliged by your letting them know whether any of the sub-committees of which a list has been attached to your letter deal with the subject of supply of raw materials.

(*h*) If you will read recommendation No. 77 carefully you will find that suggestion of the Tariff Board is that at least *one* member of each firm of managing agents and not a member of the Board of Directors as you seem to understand should have received technical training. Your answer does not touch this real point. My Committee therefore again stress the urgency of giving effect to this recommendation.

(i) My Committee cannot agree that recommendation No. 76 is wholly confined to Ahmedabad. That part of the recommendation which refers to the lending of funds of one concern to another under the same managing agency applies to Bombay as well. Instances of this nefarious practice are so well-known that my Committee do not think it necessary to give names. It is the duty of your Association to see that it is immediately put down.

(j) & (k) The measures taken to popularise the use of Bombay Mills products as stated by you are commendable so far as they go. My Committee however feel that they are totally inadequate looking to the necessities of the case. The crux of the problem is to give the consumers what they want and not what the mills can give. Until direct contact between consumers and manufacturers is established the problem will remain unsolved. That there is lack of direct contact between the managing agents and consumers cannot be denied. This lack of contact was in evidence when the Tariff Board reported and to my Committees regret it is in evidence even now as will be seen from the remarks of Mr. Arno Pearse in his recent book on the cotton industry of India in which he has observed that managing agents are out of touch with either buying or selling markets. The Tariff Board observed "It is very desirable that representatives of the mills, that is members of the firms of managing agents or of the mill staff, should visit the consuming centres from time to time in order to acquaint themselves closely with the character of the demand". Unless therefore the managing agents themselves realise their responsibilities in this direction much permanent benefit is not likely to accrue to the industry.

Regarding the proposed scheme under which the selling agents can periodically send out travelling agents to up-country markets and report how best to replace foreign by Indian goods my Committee would observe that in the present conditions of the industry it is not right to rely upon the merchants or selling agents as the Intelligence Department, the advertising agents, and the arbiters of public taste. What is required is direct contact between consumers and manufacturers which can only be brought about by mills opening their shops up-country and by constant visits of members of managing agents firms or by the mill staff to the consuming centres.

(l) The answer given is hardly acceptable. The Tariff Board is emphatic in its view that managing agents should not act as guarantee brokers for the mills they control. The reform suggested is in the right direction and your Association should do all in its power to secure it. I need not add that the practice complained of is responsible for inefficiency in the marketing and distribution of mill products.

(m) My Committee would like to know what action has been taken on the recommendations of the Trade Mission regarding the development of the export market.

(n) Combination of the mills interested in the export trade as suggested by the Tariff Board in recommendation No. 94 is an independent issue irrespective of the merger which is a much wider issue; the object underlying the recommendation appears to be to pool export markets among groups of mills interested in the export trade. My Committee would therefore like to know what has been done to give effect to this recommendation.

In conclusion my Committee desire to acknowledge the courtesy shown to them in answering their inquiries and have asked me to assure your Association that they will do all in their power to co-operate in all matters calculated to advance the progress and welfare of the industry.

Yours faithfully,

Hon. Secretary.

No. 64/155 of 1930.

The Millowners' Association,

Bombay, January 8th, 1931.

To

The Honorary Secretary,

The Bombay Shareholders' Association,

Bombay.

Dear Sir,

I am directed by the Committee of the Association to state in reply to your letter of the 1st December, 1930, requesting the Association to furnish certain information more particularly detailed therein, that though they fully appreciate the reasons which have impelled you to make the request they feel it will be generally agreed that much of the information now required lies more properly within the domain of the internal administration of individual mills, over which the Association does not exercise control or direction. It is suggested that in such cases the mills concerned might be addressed directly and requested to furnish the required information.

In the circumstances, my Committee desire me to say that, while they are at all times anxious to meet and answer legitimate criticism on broad questions of policy, they must regret their inability, in this instance, to add anything more to the very full and detailed statement made in their letter of the 31st July, 1930.

Yours faithfully,

(Sd.) T. Maloney,

Secretary.

12th February, 1931.

To

The Secretary,

The Bombay Millowners' Association,

Bombay.

Dear Sir,

I am directed to acknowledge receipt of your letter of the 8th January, 1931, and to send a reply to the same.

My Committee on a close study are strongly convinced that the recommendations of the Tariff Board regarding—

(*a*) the purchase of cotton from brokers who do not operate on their own account,

(*b*) checking (not valuing) of mill stocks by Auditors,

(*c*) the formation of a sub-Committee on the subject of supply of raw materials,

(*d*) the necessity on the part of at least one member of each firm of managing agents (not Board of Directors) possessing technical training,

(*e*) cessation of the practice of investing funds of one company in another company under the same agency,

(*f*) the defects in the selling organisation, and

(*g*) the discontinuance of the practice on the part of managing agents acting as guarantee brokers of their mills,

are all matters of general policy in efficiently steering the ship of the industry; and as such they all come directly under the province of useful objects to be served and attained by your Association. Chapter X of the Tariff Board Report conveys the same view. As a matter of fact your Association through its accredited representatives has from time to time undertaken to give due effect to these recommendations.

My Committee would therefore again urge your Association to deal thoroughly with the above recommendations, with due regard to its responsibility, and see that they are carried out. My Committee will, therefore, feel obliged if you will please intimate to them from time to time what has been done by your Association in the way of effecting the aforesaid reforms.

Yours faithfully,

(Sd.) J. J. Kapadia,

Hon. Secretary.

EXHIBIT E.—*Statement containing particulars of some Companies in which either by the Articles of Association or by the Agency Agreements, Managing Agents are expressly authorised to work for and contract with the Companies.*

1. *Bradbury Mills* (Agents: Currimbhoy Ebrahim & Sons, Ltd.).—Under Article 97 the Agents' firm is expressly allowed generally to work for or contract with the Company and also to do the work of shipping, landing and commission agents for the Company and any other work for the Company upon such terms and conditions and under such remuneration as may from time to time be agreed upon between them and the Directors.

2. *Modell Mills* (Agents: Bansilal Abirchand Dadabhoy & Co.).—Clause 8 of the Agreement provides that if the Agents' firm shall at any time act as muccadams or brokers of the Company or selling agents they shall be paid such additional remuneration as shall be agreed upon between them and the Directors. Under Article 100 the Agents are expressly allowed to work for and contract with the Company and also to do the work of shipping, landing and commission agents, muccadams and cotton brokers of the Company and to do any other work of the Company upon such terms and conditions and with such remuneration as may from time to time be agreed upon between them and the Directors of the Company.

3. *Finlay Mills* (Agents: James Finlay & Co., Ltd.).—In October, 1923, Article 89 was substituted by a new article which shows that the managing agents and their successors have been expressly authorised and empowered to contract with and work for the Company exclusive of their managing agency, to act as commission agents for the Company and to do the work of shipping, landing, clearing and storing materials, goods and plants purchased out of India and imported into India for the purposes and benefit of the Company and in addition thereto any other work including insurance required by the Company or its Directors all upon such terms and conditions including the remuneration therefor as may be arranged between them and the Directors of the Company.

4. *Swan Mills* (Agents: James Finlay & Co., Ltd.).—Same as in the case of the Finlay Mills.

5. *Vishnu Cotton Mills* (Agents: The Bombay Co., Ltd.).—Clause 5 of the Agency Agreement provides that the remuneration to be paid to the agents will cover their services as shipping, landing and general commission agents for the Company in Bombay, and at Sholapur but shall not cover services which may be rendered to the Company by the branches of the Bombay Company at Calcutta, Madras or Karachi.

6. *Sasoon Spinning and Manufacturing Company* (Agents: David Sassoon & Co., Ltd.).—By clause 5 of the Agency Agreement it is provided that the managing agents shall also be employed by the Company as their agents in Europe for the purpose of purchasing any machinery, stores or other articles that may be required from England allowing such agents to charge and receive from the Company a commission of 2½ per cent. on the actual cost (with charges paid in England) of all such machinery, stores and other materials aforesaid but crediting the Company with all discounts and allowances made by or which it may be possible for them to obtain from the makers of such machinery and the sellers of such stores and materials.

7. *New Great Eastern Spinning Company* (Agents: W. H. Brady & Co., Ltd.).—Under the agreement the agents are entitled to charge a commission of 2½ per cent. on the net invoice amount due in respect of machinery, stores and accessories ordered and indented for the Company by the agents for and on behalf of the Company and a like commission in respect of all machinery, stores and accessories supplied by the agents to the Company from stock in the godowns of the agents.

8. *New City of Bombay Manufacturing Company* (Agents: W. H. Brady & Co., Ltd.).—Same as in the case of the New Great Eastern Mills.

9. *Colaba Land and Mill Company* (Agents: W. H. Brady & Co., Ltd.).—Same as in the case of the New Great Eastern Mills.

10. *Bombay Industrial Mills* (Agents: W. H. Brady & Co., Ltd.).—Same as in the case of the New Great Eastern Mills with the difference that in respect of all machinery, stores and accessories supplied by the agents from the stock in their godowns the commission is fixed at 5 per cent. instead of at 2½ per cent.

11. *Moon Mill* (Agents: P. A. Hormarji & Co.).—Under clause 7 of the Agency Agreement the Company is to employ the agents as muccadams and brokers and the scale of remuneration for muccadamage has been fixed. Further power is vested in the Directors to increase the rate. Brokerage is to be paid at the ruling rate of the day.

Under clause 8 additional remuneration is to be paid as may be agreed upon between the agents and the Directors if the managing agents at any time act as commission agents for selling cloth and yarn.

12. *Dawn Mills* (Agents: Sassoon J. David & Co.).—Clause 4 provides that it shall be lawful for the Company to employ the agents and the agents shall be entitled to act as muccadams, brokers, guarantee agents and salesmen to the Company and upon such terms as may be arranged between the Company on the one hand and the agents on the other.

13. *Phœnix Mills* (Agents: Ramnaram Harnandrai & Sons).—Clause 3 of the Agreement provides that in the event of the managing agents acting as muccadams, brokers or selling agents of the Company for the sale of cloth and yarn, they are to be paid such additional remuneration as shall be agreed to between them and the Directors.

14. *Edward Sassoon Mills* (Agents: E. D. Sassoon & Co., Ltd.).—Clause 6 of the Agreement runs as follows:—

> "The said firm and its branches in India, Hongkong, China, Europe, America and elsewhere are also hereby appointed the selling agents of the Company for the sale of yarn, cloth or other fabrics, goods or articles manufactured or produced by the Company and all other the produce of the Company and are also appointed by the buying Agents of the Company at all the aforesaid places for the purchase of machinery, stores and all other articles and things required for the purposes of the Company for the period during which they are entitled to act as the Agents of the Company pursuant to this Agreement at such rates of commission on all sales effected by them for and on behalf of the Company as may from time to time be agreed upon between the said firm and the Directors, such remuneration to be paid to the said firm in addition to the Agency commission payable to them under the provision of clause 2 hereinabove contained, provided that nothing herein contained shall prevent the said firm from themselves purchasing the yarn, cloth or other fabrics or goods or articles manufactured or produced by the Company or other the produce of the Company upon such terms and at such prices as may from time to time be fixed by the Board of Directors and in the event of such purchases by the said firm themselves, the said firm shall not be entitled to charge any commission as selling agents on the sales to themselves."

15. *Meyer Sassoon Mills* (Agents: E. D. Sassoon & Co., Ltd.).—Same as in the case of the Edward Sassoon Mills.

16. *Sassoon & Alliance Silk Mill* (Agents: David Sassoon & Co., Ltd.).—Clause 5 of the Agency Agreement provides that all machinery and stores required by the Company should be purchased through David Sassoon & Co., Ltd., in London who should be paid a commission of 2½ per cent. on the price of such purchase and all silk required by the Company should be purchased through David Sassoon & Co., Ltd., China, who should be paid a commission of 1 per cent. on the price of raw silk and 1½ per cent. on the price of waste silk.

17. *Presidency Mills (In Liquidation)* (Agents: Raghavji Maganlal & Co.).—Clause 4 of the Agreement provides that managing agents are entitled to additional remuneration for acting as selling, shipping, landing and commission agents and as muccadams and brokers of the Company.

18. *Broach Fine Count Spinning and Weaving Company* (Agents: Brijlal Bilasrai & Co.).—Clause 3 of the Agreement provides that if the managing agents shall act as muccadams, brokers or selling agents for the sale of cloth or yarn they shall be paid such additional remuneration as shall be agreed to between them and the Company.

19. *Bharat Spinning and Manufacturing Company* (Agents: Purshotam Govindji & Co.).—Clause 9 of the Agreement provides that if the agents shall at any time act as muccadams or brokers of the Company or as selling agents of the Company's yarn, cloth or other production they shall be paid such additional remuneration as shall be agreed to between them and the Directors of the Company.

20. *Fazulbhoy Mills* (Agents: Currimbhoy Ebrahim & Sons, Ltd.).—Clause 4 provides that the agents shall be entitled to such additional remuneration for acting as selling agents as shall be agreed to between them and the Directors.

21. *Currimbhoy Mills* (Agents: Currimbhoy Ebrahim & Sons, Ltd.).—Same as in the case of the Fazulbhoy Mills.

22. *Crescent Mills* (Agents: Currimbhoy Ebrahim & Sons, Ltd.).—Same as in the case of the Fazulbhoy Mills.

23. *Indore Malwa United Mills* (Agents: Currimbhoy Ebrahim & Sons). Managing agents to have such additional remuneration for acting as selling agents as may be agreed to between them and the Directors.

24. *Pearl Mills* (Agents: Currimbhoy Ebrahim & Sons, Ltd.).—Same as in the case of the Fazulbhoy Mills.

25. *Kohinoor Mills* (Agents: Killick Nixon & Co.).—Under Article 131 the agents are with the previous consent of the Directors given generally or in each separate case entitled to contract with the Company either as vendors of cotton, coal, stores or other articles required for the business or purposes of the company or as purchasers of the manufactures or products of the Company.

26. *Kilachand Mills (In liquidation)* (Agents: Kilachand & Co.).—Under Article 164 the agents are authorised to do the work of and act as buying and selling agents, shipping and landing and commission agents, muccadams, cotton brokers and to do any other work for the Company upon such terms and remuneration to be agreed upon between them and the Company and also to purchase and sell to the Company machinery, stores, yarn, cloth, cotton and other articles *without being accountable to the Company for any profits made by them in such purchase or sale.*

27. *Simplex Mills* (Agents: F. F. Campbell & Co., Ltd.).—The managing agency agreement contains clauses under which the agents would if so required be entitled to lend services of a Manager from their own organisation. They are expressly authorised to appropriate to their use the insurance commission.

28. *Ajit Mills* (Agents: Chinubhai Naranbhai & Co.).

29. *New National Mills* (Agents: Popatlal Harilal Nagri & Co.).

30. *Kalyan Mills* (Agents: Kalidas Motilal Mehta & Sons).

All the aforesaid mill companies have been registered last year and they are situated in Ahmedabad. The agency agreement in each case expressly authorises the managing agents to work for and contract with the Company. They are also authorised to act as buying and selling agents.

NOTE.—The above particulars are not exhaustive.

EXHIBIT F.—*Statement containing particulars of Advances to Managing Agents or Directors or Firms of Shroffs.*

1. The Balance Sheets of Victoria Mills of Bombay under the agency of Mangaldas Mehta & Co., from 1928 will show that large amounts are due by Directors and Members of their families.

2. The balance sheet of the Sassoon Alliance Mill for the year 1931 shows that a sum of Rs. 6 lacs was due by the Secretaries and Treasurers to the Company in current account.

3. The balance sheet for 1931 of the Standard Mills of Bombay under the agency of Messrs. Matatlal Gagalbhai & Sons, shows that a sum of Rs. 3,32,000 has been lying with Messrs. Mafatlal Gagalbhai & Co. Ltd.

4. The balance sheet for 1930 of the Shorrock Spinning, Weaving and Manufacturing Company under the agency of Messrs. Mafatlal Chandulal & Co., shows different amounts due by cloth shops of Messrs. Mafatlal Gagalbhai at different centres such as Bangalore, Calcutta and Amritsar. It also shows that a large sum amounting to Rs. 16,17,000 has been lent to the managing agents' firm.

Previous balance sheets show a similar state of affairs.

5. The balance sheet for 1930 of the Raipur Manufacturing Company, shows deposits with shroffs whose names are not stated.

6. The balance sheet for 1930 of the Chandrodaya Mills under the agency of Messrs. Chunilal Khushaldas & Co., shows an advance of Rs. 24,000 to Pari Chunilal Khushaldas Sharafi Account.

7. The balance sheet for 1930 of the Commercial Ahmedabad Mills shows advance to shroffs whose names have not been disclosed.

8. The balance sheet for 1930 of the Rajnagar Spinning, Weaving and Manufacturing Company whose Secretary, Treasurer and Agents is Mr. Mangaldas G. Parekh shows a sum of Rs. 1,70,000 as being due from Messrs. Girdhardas Harivallabhdas which it is understood, is the family firm of the Agent.

9. The balance sheet for the year ended 31st March, 1931 of the Pralhad Mills of Bombay under the agency of Messrs. Pratapgirji Narshingirji & Co., shows a sum of Rs. 1,02,000 as being due by Himatgir Pratapgir & Co. in which the managing agents are interested. A further sum of Rs. 6,32,000 is shown as being due by Raja Pratapgir Narsingirji who is a member of the agents' firm.

10. The balance sheet for 1930 of the National Mills, Ahmedabad, shows Rs. 2,42,000 as due by shroffs whose names have not been disclosed.

11. The balance sheet for 1930 of the Nagree Mills shows similar advances to shroffs.

12. The Bharat Mills under the agency of Messrs. Purshotam Govindji & Co. owed a large sum from a member of the managing agents' firm which was not separately shown in the balance sheet as required by law.

13. The balance sheet for 1930 of the Aryodaya Spinning and Weaving Company under the agency of Messrs. Mangaldas & Brother shows a sum of Rs. 1,73,000 as being due by Girdhardas Harivallabhdas which it is understood is a family firm of the agents.

14. In the balance sheet of the Ahmedabad New Cotton Mills for the year 1930 a sum of Rs. 2,50,000 is shewn to be due by Pari Harshadlal Amratlal on sharafi account.

15. The balance sheet of the Indore Malwa United Mills for the half year ended 30th June, 1931, shows that a sum of Rs. 4,24,000 is due by Messrs. Currimbhoy Ebrahim & Sons, Ltd., who are the cloth selling agents. In the balance sheet for 1930 a sum of Rs. 8,20,000 was shown as due by "agency cloth shops" whereas in fact it was due by the agents.

NOTE.—The above particulars are not exhaustive.

EXHIBIT G.—*Statement containing particulars of some Ginning and Pressing Factories owned by Managing Agents.*

Names of Factories.	Situation.	Owners or Agents.
Tinnevelly Cotton Press Co.	Tinnevelley	Bombay Co., Ltd.
Ditto	Do.	Do.
Ditto	Do.	Do.
Ditto	Do.	Do.
Ditto	Do.	Do.
Ditto	Do.	Do.
Ditto	Do.	Do.
Ditto	Do.	Do.
Ditto	Do.	Do.
Ditto	Do.	Do.
Ditto	Do.	Do.
Adoni Press Co., Ltd.	Bellary	Do.
Mulraj Khatau & Co.	Akola	S. A. Damodardas & Co.
New East India Press Co.	Do.	M. Jaitha & Co.
R. B. Bansilal Abirchand Gin and Press Co.	Amraoti	Sir B. Daga.
Rai Bahadur Bansilal Abirchand Mill Gin and Press Factories.	Wardha	Sir B. Daga & Bros.
Sinda Gin and Press Factory	Do.	R. B. B. Abirchand, etc.
Sir Hukamchand Rambhagat Gin and Press Factory.	Buldana	Sir H. Rambhagat.
Hukamchand Rambhagat Gin Factory	Chanda	H. Rambhagat.
Nagpur District Cotton Gin and Press Syndicate.	Nagpur	M. B. Dadabhoy.
Saoner Old Gin Factory	Do.	Do.
New Pathora Mill Co., Ltd.	Yeotmal	M. Gokuldas & Co.
Forbes Press	Bombay	F. F. Campbell & Co.
Forbes Factory	Cawnpore	Do.
New Cotton Gin and Press Factory	Coimbatore.	Sir M. B. Dadabhoy and R. B. B. Abirchand.

NOTE.—In addition to the above it is understood that Sir M. B. Dadabhoy who is a partner in the firms of managing agents of the Model Mills, Nagpur, and the Berar Manufacturing Company owns ginning factories at the following places:—Umrer, Hingoli, Dharmabad, Tirrupur, Bagalkot, Karkheli, Warora, Warud and Pusad.

EXHIBIT H.—*Statement containing particulars of some Ginning Factories owned by Cotton Merchants and Dealers.*

Names of Factories.	Situation.	Owners or Agents.
Pestonji D. Patel Avanashi Gin Factory	Avanashi . .	C. B. Antonimithu.
Pestonji D. Patel Banavar Gin Factory .	Banavar . .	Pestonji D. Patel.
Pestonji D. Patel Bhilawadi Gin and Press Factory.	Bhilawadi . .	Do.
Pestonji D. Patel Bijapur Factory . .	Bijapur . .	Do.
Pestonji D. Patel Raichur Gin Factory .	Raichur. . .	Do.
Pestonji D. Patel Tirupur Gin Factory .	Tirupur . .	Do.
Pestonji D. Patel Coimbatore Press Factory.	Coimbatore. . .	Do.
J. R. Vakharia Press Factory . .	Broach . . .	J. R. Vakharia.
J. R. Vakharia New Gin Factory . .	Do. . . .	
Pirojshaw R. Vakharia Press Factory	Do. . . .	
Pirojshaw R. Vakharia Gin Factory .	Do. . . .	Do.
S. D. Vakharia Factory . . .	Do. . . .	S. D. Vakharia.

EXHIBIT J.—*Particulars of some cases where mode of valuation has not been disclosed, also of some cases where items relating to Stock-in-trade or Fixed Capital Expenditure have been shown at a valuation which represents neither cost nor market value.*

1. *Raipur Manufacturing Co., Ltd.* (Balance sheet for 1930). Mode of valuation of investments not disclosed.

2. *Madura Mills, Ltd.* (Balance sheet for the year ended 31st March, 1931). Mode of valuation of fixed assets is not disclosed. The item of stock-in-trade is valued as follows: —"Stock-in-trade 'at valuation'."

3. *Jubilee Cotton Mills* (Balance sheet for the year ended 31st March, 1931). Mode of valuation of stock-in-trade is not disclosed.

4. *Gujarat Ginning and Manufacturing Co., Ltd.* (Balance sheet for 1930).—Fixed Assets valued at "Book Value".

5. *Birla Cotton Spinning and Weaving Co., Ltd.* (Balance sheet for the half year ended 31st December, 1931).—Mode of valuation not disclosed both as regards fixed capital and stock-in-trade.

6. *Asoka Mills* (Balance sheet for 1930).—Stock-in-trade shown at "below cost".

7. *Ahmedabad Ginning and Manufacturing Co.* (Balance sheet for 1931).—Fixed Capital Expenditure shown at "book value". Cloth and yarn shown at "below market value".

8. *Ahmedabad Spinning and Weaving Co., Ltd.* (Balance sheet for 1931).—Fixed capital expenditure shown at "book value".

9. *Ahmedabad Manufacturing and Calico Printing Co.* (Balance sheet for 1931).—Fixed capital expenditure shown at "book value". Stock-in-trade shown at "below market value".

10. *Ahmedabad New Cotton Mills* (Balance sheet for 31st December, 1931).—Stock-in-trade at "below cost price".

11. Several mills under the agency of Currimbhoy's show stock of yarn, cloth, waste and tares at "selling price".

12. *Model Mills* (Balance sheets for the years ending 31st March, 1928, 1929, 1930 and 1931).—Yarn and cloth shown at selling price and also at or below selling price.

13. *Gold Mohur Mills* (Balance sheet at 30th September, 1927).—Yarn, cloth and waste shown at market value and sale price.

14. *Sholapur Mills* (Balance sheet as at 31st March, 1931).—Yarn and piecegoods shown at "below market price".

15. *Shorrock Mills* (Balance sheet for 1930).—Cotton shown at "below cost".

16. *Minerva Mills* (Balance sheet for 1930).—Yarn and cloth shown "at under market rate".

17. *Kalyanmal Mills* (Balance sheet for 1929).—Stock-in-trade shown at "market value or under".

18. *Hukumchand Mills* (Balance sheet for 1929).—Yarn and cloth shown at "average selling price".

19. *Khandesh Spinning Mills* (Balance sheet at 31st December, 1931).—Stock-in-trade shown at "under cost".

20. *Mysore Mills* (Balance sheet at 28th February, 1931).—Yarn and cloth shown "at or under market rate".

21. *Buckingham and Carnatic Mills* (Balance sheet for 1931).—Stock-in-trade shown at "under cost".

NOTE.—The above particulars are not exhaustive.

EXHIBIT K.—*Particulars of cases in which uniform mode of valuation of stocks has not been maintained.*

1. *Kohinoor Mills*—
   In 1926 cotton was shown "at cost".
   In 1927 cotton was shown "at or below cost".
   In 1929 cotton was shown "at or below cost".
   In 1930 cotton was shown "at or below market rate".

2. *Sassoon Spinning and Weaving Co.*—
   In 1928 cotton was shown "at market value".
   In 1930 cotton was shown "at cost or market rate whichever is lower".

3. *Mysore Spinning and Weaving Co.*—
   In 1928-29 stock-in-trade was shown "at or under market rate".
   In 1929-30 yarn and cloth and waste were shown "at or under market rate and sold at contract rate".

4. *E. D. Sassoon United Mills*—
   In 1922 cotton, cotton-in-process, yarn and cloth-in-process, unsold yarn and cloth were shown at cost or market rate whichever was lower.
   In 1923 the aforesaid items were shown "at cost" only.

5. *Edward Sassoon Mills*—
   In 1925 cotton was shown at "market rate".
   In 1926 cotton was shown at "cost".
   In 1927 cotton was shown at "cost".
   In 1928 cotton was shown at "market rate".
   In 1929 cotton was shown at "market rate".
   In 1930 cotton was shown at "market rate".
   In 1931 cotton was shown at "cost being lower than market rate".

6. *Meyer Sassoon Mills*—
   In 1927 cotton was shown at "cost".
   In 1929 cotton was shown at "market rate".
   In 1930 cotton was shown at "market rate".
   In 1931 cotton was shown at "cost being lower than the market rate".

7. *Sir Shapurji Broacha Mills*—

In 1922-23 unsold stock of cloth was shown at "market rate".

In 1923-24 cloth in process was separately shown at "cost".

8. *Madhavji Dharamsi Manufacturing Co.*—

The balance sheets of this company from 1923-24 will show one or the other change in the mode of valuation of different items forming part of the stock-in-trade.

9. *Finlay Mills*—

In 1929 cotton was shown "at cost".

In 1930 cotton was shown "at market rate".

In 1931 cotton was shown "at cost".

10. *Swan Mills*—

In 1924 cotton was shown "at cost".

In 1925 cotton was shown "at market rate".

In 1926 cotton was shown "at cost".

In 1927 cotton was shown "at cost".

In 1928 cotton was shown "at cost".

In 1929 cotton was shown "at cost".

In 1930 cotton was shown "at market value".

In 1931 cotton was shown "at cost".

11. *New City of Bombay Manufacturing Co.*

In 1927 cotton was shown "at market rate".

In 1928 cotton was shown "at cost market value".

In 1929 cotton in hand and in process were shown "at cost and market value".

12. *Colaba Land and Mill Co.*

In 1927 cotton was shown "at market value".

In 1928 cotton was shown "at market value-cost".

In 1929 cotton in hand and in process were shown "at cost and market value".

13. *New Great Eastern Spinning and Manufacturing Co.*—

In 1923 cotton was shown "at cost".

In 1924 cotton was shown "at market value".

In 1927 cotton was shown "at market value".

In 1928 cotton was shown "at cost-market value".

In 1929 cotton in hand and in process were shown "at cost and market value."

14. *Model Mills*

In 1927-28 yarn and cloth were shown "at selling prices".

In 1928-29 yarn and cloth were shown "at or below selling prices".

In 1929-30 yarn and cloth were shown "at or below selling prices".

In 1930-31 yarn and cloth sold "at contract rate" and unsold "at selling prices" and cloth lying with up-country agents "at selling prices".

15. *Bharat Spinning and Weaving Co.*—

In 1929-30 yarn and cloth sold "at contract rate" and unsold "under market rate".

In 1930-31 yarn and cloth sold "at contract rate" and unsold "at or under market rate".

16. *Berar Manufacturing Co.*—

In 1929-30 cotton on hand was shown "at below cost price".

In 1930-31 cotton on hand was shown "at cost price".

17. *Kalyanmal Mills*—

In 1928 yarn, cloth, waste and cotton seeds were shown "at market rate".

In 1929 yarn, cloth, waste and cotton seeds were shown "at market value or under".

18. *Rajkumar Mills*

In 1928 cotton was shown "at cost".

In 1929 cotton was shown "at cost or market value whichever is lower".

19. *Hukamchand Mills*—

In 1927 cotton was shown "at average cost or market price whichever is lower" Kappas at cost price and yarn and cloth at average selling price.

In 1928 cotton was shown at average cost price, kappas at cost, and yarn and cloth at average selling price.

In 1929 cotton and kappas at average cost price, and yarn and cloth at average selling price

20. *British India Corporation*

In 1928 stocks were shown "at or under cost price".

In 1930 stocks were shown "at or cost price or market value".

21. *Sholapur Spinning and Weaving Co.*—

In 1923-24 cotton was shown "at market value".

In 1925-26 cotton was shown "at cost".

22. *Khandesh Spinning and Weaving Co.*—

In 1926 stock-in-trade was shown "at cost".

In 1927 cotton, yarn, cloth and waste were shown "under cost" and raw cotton "at cost".

In 1928 the same as in 1927.

In 1929 the same as in 1926.

In 1930 the same as in 1927.

In 1931 the same is in 1926.

23. *Ahmedabad Ginning and Manufacturing Co.*—

In 1926 cloth, yarn, waste, coal and stores were shown at "below market rate". Cotton was shown at "market value".

In 1927 stock-in-trade was shown at "cost".

In 1928 cloth, yarn and waste were shown at "below market rate", cotton, stores and coal at "cost".

In 1929 cloth, yarn and cotton were shown at "below market rate", waste at market rate, stores at "below cost price" and coal at "cost price".

In 1930 stock-in-trade is shown at "cost price.

24. *Madras United Mills*—

In 1930 cotton is shown "at cost".

In 1931 cotton is shown "at market rate".

Note.—The above particulars are not exhaustive.

(2) *Letter No. 180/32, dated the 3rd August, 1932, from the Bombay Shareholders' Association.*

Subject:—Re COTTON TEXTILE INDUSTRY ENQUIRY.

I have the honour to forward herewith my Committee's replies to the questionnaire issued by the Tariff Board in regard to the above enquiry.

My Committee extremely regret the delay in sending their replies. They would have sent them earlier, had it not been for the fact that their attention had to be diverted to two or three matters which suddenly cropped up.

Enclosure.

Replies of the Committee, Bombay Shareholders' Association, to the Tariff Board's Questionnaire.

NOTE.—Our representation dated the 11th June, 1932, should be read with these replies.

Question No. 4.—There is evidently a difference between the wholesale prices published periodically by the Bombay Millowners' Association and the prices realised by individual mills for two obvious reasons; (1) the price of a particular kind of cloth varies according to the reputation of individual mills and (2) the prices actually realised are net realisations after deduction of charges like (a) selling agents' commission, (b) brokerage, discount, sahi, etc. It is not possible for us to supply figures on this head as our only source of information consists of the published balance sheets of mill companies in which information as to the quantities and qualities of different varieties of cloth and their selling rates is never disclosed. We may point out that even in the Annual Statement of accounts of the Bombay Cotton Mill Industry this information is not vouchsafed. This is one of the heads on which we submit the Tariff Board should endeavour to collect the relevant data from individual mills by issuing a statement in a form suggested hereunder:—

FORM.

(1) Please state the different kinds of cloth manufactured and sold by your mill.

(2) Please state the average actual price per pound yard or piece realised by your mill for each of these kinds

(3) Please state the corresponding wholesale prices published by the Millowners' Association for same or similar kinds of cloth.

NOTE (1). Prices actually realised should mean the net realisation after deduction of (a) selling agents' commission, (b) brokerage, discount, sahi, etc.

NOTE (2).—If your mill has its own shops for selling cloth without any selling agents, the prices actually realised should be shown after deducting expenses pertaining to the shops.

Question No. 8.—We are of opinion that one of the weakest features in the organisation of the Indian Cotton Mill Industry is the absence of any concerted attempt on the part of the industry to expand the market for its products particularly in foreign countries. This is amply borne out by the account given by the Millowners' Association, Bombay, in para. 86 of their representation to this Tariff Board regarding the efforts made by the Bombay Mills to carry out the recommendation of the Indian Trade Mission of 1928. Whilst we agree with the Millowners that every endeavour should be made to obtain a larger share of the Home Market we consider that that cannot absolve them from their duty of reconnoitring new fields for the expansion of their activities. That there are certain difficulties like high tariff walls, import quotas, exchange rationing, etc., in foreign markets,

we are not unaware of. We also fully sympathise with the Millowners for the indifferent attitude on the part of Government in not appointing Trade Commissioners as recommended by the 1928 Mission. But we have yet to be told that the Indian Cotton Mill Industry has anything like the system of canvassing agents or salesmen or travellers going round the foreign markets in search of new business as is commonly the characteristic of selling organisations of foreign competitors, especially Manchester and Japan. It is also a matter of common knowledge that in several foreign countries the organisation of export trade in particular lines has been made effective and successful by the pooling of the talent and resources of the various units in the industry. Such a combination amongst the Indian Millowners can be easily brought about for this specific purpose and need not be delayed or abandoned merely because of the failure to bring about an agreed scheme of a general merger. We regret that the Millowners have not attached the serious importance due to this subject as is evidenced by their evasive reply to us in their letter dated the 1st December, 1930 (see page 41 of our first Representation). We would also urge the Tariff Board to call upon the Millowners to show what progress they have made in making improvements in finish, packing and sampling which were suggested by the Trade Mission as the pre-requisites for the development of the export trade.

Question No. 12.—We are of opinion that as a matter of general policy the raw material for indigenous industry should not be taxed, whether available internally or imported from abroad, so long as the supply of raw material is obtained on the most economical basis irrespective of the fact whether the same quality is bought locally or is purchased abroad. We would be opposed to the creation of any obstacles in the way of obtaining the material on the most advantageous terms. In conforming with this general principle we cannot favour the imposition of an import duty on raw cotton though it is possible that such duty may incidentally help the Indian cultivator.

Question No. 15.—We submit that the Board should ask for separate figures in case of item 6, namely, for (*a*) supervision, (*b*) office allowance, (*c*) mill office establishment and (*d*) Agents' office establishment. Similarly in the case of item No. 7, figures should be asked for (*a*) total amount of insurance premium paid, (*b*) rebate, discount, commission or brokerage allowed and received and (*c*) the net premium debited to the Company.

Question No. 18.—We suggest that the information required should be amplified by asking for figures of (*a*) the actual contract price, (*b*) brokerage, (*c*) muccadamage.

We are informed that it is a practice with several cotton mills in Bombay to credit the Company with half the brokerage refunded by brokers in respect of cotton purchases. The Board may therefore usefully inquire whether in the figures for the average price per pound that may be given to them a proper deduction has been made for the half brokerage so refunded.

Question No. 29.—We do not understand why the subject matter of this question is to apply to those mills only of which costs are to be given. We consider this matter to be of such sufficient importance that we venture to urge the Board to obtain this information from as large a number of mills as possible.

Question No. 30.—Whilst we appreciate the object underlying this question we are afraid the information aimed at will not be elicited unless specific information is asked for in respect of the value of the stocks of materials including raw cotton carried forward from previous years. The realisation of the stocks of certain mills recently wound up showed that cotton purchased five to six years ago and cloth manufactured years ago were included in the stocks held by the mills. The cotton at the time of realisation had so considerably deteriorated that it could not be sold except at a throw-away price.

With regard to outstandings in respect of goods sold we consider it very essential that the Board should obtain information on the following heads:—

(a) What is the practice usually followed by mills in regard to giving credit?

(b) Do the outstandings refer only to debts due by selling agents and parties other than the managing agents?

(c) How much of these outstandings is due from the managing agents?

(d) Do the outstandings refer to any liabilities by sister-companies in respect of raw material or stores supplied?

We have further dealt with the question of outstandings in our confidential note.

Question No. 51.—We agree with the millowners that sufficient facilities for obtaining working capital are not available at present. The two common sources of working capital for cotton mills in Bombay are (a) loans or cash credits from banks against gilt-edged securities or hypothecation of stock and (b) short-term deposits from the public. One peculiar difficulty about obtaining loans from banks against stocks of goods is the insistence on the part of several banks for taking physical possession of the stocks, i.e., requiring the mills to store the goods in the godowns of the banks under the banks' control or in certain cases of allowing the goods to be stored in the company's godowns with the board of the bank affixed outside. This is a question of some delicacy so far as the credit of the company is concerned and the general circumstances and ideas about the standing of parties in this country are so peculiarly different from those obtaining elsewhere that companies have in several cases to declare their inability to comply with such requirements as such compliance would probably mean the ruination of their credit. Whilst it is obvious that the lender must be fully satisfied as to the terms on which he lends money, it is equally necessary for the borrower to see that his borrowings on such terms do not prejudice his position in the estimation of his other creditors. The six and twelve months' deposits which mills have been able hitherto to obtain in fairly large amounts are entirely unsecured and the knowledge of a definite mortgage of the liquid resources of the company like stocks would certainly scare away the depositors. We think therefore that so long as the Indian depositing public is not sufficiently educated as to the essential meaning of the pledging of goods against bank credits, the reluctance of companies to avail themselves of this source of working capital to the fullest possible extent can well be understood. Under the circumstances the requirement of a second signature is in our opinion unreasonable; but we are informed that in certain cases banks have made exorbitant demands in that in addition to a second signature, equitable mortgage of a part or the whole of the unencumbered fixed assets of the company is required.

The rate of interest payable, of course, varies with the standing of different companies. Generally speaking, the rate of interest charged by banks is based on a certain percentage, varying from ½ to 2, over the Imperial Bank of India rate with a certain minimum and in most cases with the half interest clause. So far as banks are concerned, we are of opinion that anything over 1 per cent. over the Imperial Bank rate is little short of a penal charge in that the average bank rate in India is considerably higher than in countries like England or Japan. We cannot help stating that particularly in time of stress and strain through which the industry has been passing the banks in India have not unfortunately played their part in helping the industry over the difficult stile. Apart from the general reluctance to render financial assistance to the mills, banks have in several cases been exacting rates of interest which can hardly be described as reasonable.

The burden of interest charges on the working capital of mills has been considerably enhanced by the monetary policy of the Government of India for some years past which policy has been mainly influenced by considerations for the maintenance of a certain external value of the rupee irrespective of its pernicious reaction on the trade, industry and commerce of the country. That finance should be the handmaiden of trade and industry is unfortunately a maxim not applicable to India. The Imperial Bank of India rate is often not the true reflex of the trade and industrial demand for money. It will therefore be realised how prejudicially the interests of the industry are affected by the interest charge on bank loans being based on the Bank rate.

Question No. 42.—We are not in a position to give detailed figures on the amounts annually charged by managing agents for office allowance and commission in each case for the simple reason that in all cases the figures are not separately shown in the annual accounts. We have however compiled a statement (attached hereto and marked "A") showing particulars of managing agency commission and office allowance prescribed either in the agency agreement or articles of association in respect of 58 companies which are/were members of the Bombay Millowners' Association. This statement shows the cases in which commission is payable on profit, those in which it is payable on production or sales, those in which a minimum is prescribed and those where office allowance is paid. It will also be noticed that in several instances both the minimum commission and allowance are prescribed, while in some the office allowance is paid in addition to commission on production or sales. It will be further noticed that the minimum commission ranges from Rs. 15,000 to Rs. 1,20,000 while the office allowance ranges from Rs. 6,000 to Rs. 36,000 annually.

In our opinion the commission on production or sales is absolutely indefensible at all times and particularly when the industry asks for protection. The system of office allowance is equally indefensible. As regards commission on profit and office allowance, the Board is referred to our previous representation (paras. 9, 11 and 12).

The statements of accounts of the Bombay Cotton Mill Industry for the four years 1927 to 1930 issued by the Bombay Millowners' Association disclose the following position:—

Year.	No. of Mills represented	Profit or loss without charging depreciation.	Profit or loss after charging depreciation.	Agents' office allowance	Nett commission drawn.	Total allowance and commission drawn.
		Rs.	Rs.	Rs.	Rs.	Rs.
1927 . .	75	1,57,00,435	-7,36,303	5,47,569	25,39,908	30,87,477
1928 . .	73	-1,26,46,416	-2,98,77,020	5,16,541	13,15,684	18,32,225
1929 . .	76	-71,84,940	-2,30,66,994	4,70,211	15,55,962	20,26,173
1930 . .	71	94,22,570	-2,36,98,662	4,70,158	8,75,286	13,45,444

The aforesaid figures supply an eloquent illustration of the burden of the managing agents' remuneration on the industry particularly in times of difficulty. It will be noticed that during these four years the industry as represented by about 70 mills showed a definite loss running from rupees seven lacs and odd to nearly rupees three crores after allowing for depreciation according to income-tax rates. We submit—and in this submission both the Bombay and Ahmedabad Millowners' Associations are with us—that depreciation should be a charge on production of any cotton mill. Therefore no picture of the state of the industry can be said to be complete which does not state the result of the trading for any year without making this charge on the revenues of the industry. Consequently it is

indisputable that any commission charged by the managing agents on the profits of the company without deducting the necessary amount for depreciation is an inequitable burden on the industry which is bound to weigh most heavily particularly at a time when it is least able to bear it. We do not know if any better proof is needed in condemnation of the managing agency system than that supplied by the fact of the managing agents insisting upon their pound of flesh from the industry when it has been generally admitted to be in an anaemic state. Before the Royal Commission on Labour the representatives of the Bombay Millowners' Association in reply to a question from Sir Victor Sassoon made a definite statement on 29th November, 1929, that the minimum commission was not taken advantage of while the mill was working at a loss (see answer 5171, Vol. I, part 2). That this reply was highly misleading can be seen from Exhibit B to our previous representation as well as from many other balance sheets. It is amazing that Messrs. E. D. Sassoon & Co., Ltd., of which Sir Victor Sassoon was the active head in 1928, charged the minimum commission of Rs. 1,20,000 in that year though the E. D. Sassoon United Mills showed a loss of no less than twenty-one lacs. Such minimum commissions have been drawn by this firm from other companies also under their charge.

For the aforesaid reasons it is obvious that the present standard of remuneration is neither fair nor equitable. We have seen an argument that if labour can earn its wages and the salaried staff their salaries irrespective of the state of the industry, why should the managing agents be denied remuneration for their labour? We would not have cared to refer to this argument had it not been for the fact that it has been frequently advanced in interested quarters in defence of the managing agency remuneration. We must therefore point out that the managing agent being admittedly an entrepreneur and a capitalist obviously takes the risk of fluctuating fortunes of business and as such his position is not comparable to that of the fixed income earner. In times of prosperity he has made fabulous profits out of his connections with cotton mills and it is but fair that he should not now grouse about the adverse times which in equity must reduce his income proportionately.

There is one other consideration which we must bring to the notice of the Board as regards the managing agents' remuneration. The point is whether when an industry asks for protection, it is right that the managing agents should be allowed to enjoy remunerations prescribed by agency agreements entered into at a time when conditions were different, and also whether they are to be allowed to receive various kind of indirect commissions or payments hereinafter mentioned. This in our opinion is an important issue. In the light of the facts placed by us before the Board, it is only fair that the arrangements about remuneration should be revised.

Question No. 35.—We do not know the names of the mills of which costs are given. It is therefore not possible to answer this question as framed. We repeat our request made in connection with questions 18 and 19 that information aimed at by this question should not in view of its great importance and bearing on the general management of mills be restricted to companies of which costs are given. We are constrained to suggest that an incomplete and possibly a misleading picture of the situation would be presented if the information aimed at is not asked for from all mill companies or at any rate from those who are members of the Millowners' Associations. It is well known that in several cases managing agents receive either directly or indirectly allowances or commissions in respect of purchases and sales made and insurance placed on behalf of mills. Definite instances have been brought to light where managing agency agreements or articles of association provide loopholes for indirect sources of additional income for the managing agents by authorising them to contract with their companies in regard to supply of consumable and other materials and services or in regard to marketing of the Company's products. It will also be appreciated that the extensive patronage at the disposal of the managing agents has, in certain mills, been made the lever for producing

additional income for them through return of commission on purchases of materials, sales, muccadamage, insurance, etc. We have information in our possession to show that managing agents have formed companies mainly for the purpose of purchasing cotton to be supplied to their mills. Glaring cases of several managing agents joining hands in the formation of companies for the supply of mill stores and machinery are evidenced by the files in the office of the Registrar of Joint Stock Companies. The record of dividends paid by such companies and the list of the shareholders along with other information at our disposal will provide convincing proof of our contention that the managing agency system has been responsible for diverting into other pockets profits which should have gone to consolidate the financial resources of the industry. It is a matter of common knowledge that several managing agents are either agents for foreign insurance companies or have certain arrangements for commission with Indian insurance companies for business placed with them. It is not possible to state the rate or basis on which allowance or commission is charged by managing agents in this regard; but at the same time it will not be disputed that such arrangements have not resulted in securing the most advantageous terms for the companies under their management. Insurance business in India in general and in Bombay in particular is commonly known to suffer from very acute and intensified competition. Under these circumstances mill companies which are generally considered a good risk ought to be in a position to secure substantial rebates on the premia payable. But as this insurance is placed through the managing agent with companies in which he is directly or indirectly interested the benefit of rebate does not accrue to the companies wholly. It will be seen therefore that the fact of the managing agents being tied to a particular insurance company deprives the mill company both of the possibility of securing more advantageous terms and also of the return of the rebate of commission usually paid by insurance companies.

Question No. 34. Copies of balance sheets and agency agreements, we take it, will be supplied by the mills of which costs are given. We are unable to supply them as we do not know the names of these mills. We have copies of several managing agency agreements in our possession which will be supplied to the Board if so desired.

Question No. 35. In the interest of economy, efficiency and purity of administration, the management of the industry requires to be reorganised in the following among other directions.

The management, as is well known, is conducted under the peculiar system of managing agents who have undertaken to manage in terms of articles of association and agency agreements. Although the Indian Companies Act lays down that every public company shall have at least two directors, it is somewhat anomalous that the mutual relations of directors and managing agents *vis-à-vis* the company have not been defined by the Act. The result has been that there is not that statutory control over managing agents which is so very desirable. It is no doubt true that a good many articles provide that the managing agents are to manage subject to the control and supervision of the Board. Such articles are however not obligatory. Again in the absence of any provisions defining the rights and powers of directors *vis-à-vis* the managing agents, the so-called control and supervision has not been effective. The articles lay down that subject to the supervision of the directors the agents shall have the general conduct and management of the business and affairs of the company and that they shall have power generally to make all such arrangements and do all such acts and things on behalf of the company as may be necessary or expedient and as are not specifically reserved to be done by the directors. The powers of the agents are so wide that in many matters they do not feel bound to consult the directors. When one remembers that the first directors are chosen by the agents and that these directors are often the members of their firm, their friends or relations, the mischief resulting from the absence of statutory provisions would be easily understood. The extent

to which the unsatisfactory character of the present position can be exploited to the benefit of the managing agent is well illustrated by the agency agreements and articles of association of certain companies registered in Ahmedabad so recently as last year. We attach herewith notes from these articles and agency agreements (marked B) which will show that managing agents have arrogated to themselves certain powers *to the exclusion of directors* by laying down that directors are to do such acts and to exercise such powers *only as are not exclusively vested in the agents.* Such stipulations curtail the powers of directors which we submit ought to remain supreme at all times and turn managing agents from managers into masters—a development which is highly prejudicial to the growth and progress of the industry on sound and healthy lines.

As stated above, the object of conferring powers of control and supervision to directors over managing agents is to provide a safeguard against mismanagement. In actual practice however it has become a farce and a delusion. While the law lays down that there should be at least two directors, it does not lay down that directors should be independent, with the result that Boards of Directors are packed up with the agent's partners or his friends or relations. Thus though the managing agent is the manager of the company and as such should be subject to effective control or supervision on behalf of the real interests, *viz.*, the shareholders, it is he who in practice acts as the controller of the company. It will thus be seen that amendment of the Indian Companies Act is a *sine qua non* in any scheme of reorganisation of management of the industry. The suggestions for such amendment are detailed later on.

As the managing agent has made it convenient to pack the Board with a sufficient number of the members of his firm reinforced by his friends and relations, the Boards of Directors instead of exercising powers of superintendence and control have been found in many cases to be either ignorant of the actual state of affairs or to be willynilly acquiescing in all that is done by the managing agent. A very recent experience of ours will illustrate the point. Transfers of shares in a company in the name of a shareholder were refused because the shareholder had occasion in another company to criticise the management which happened to be substantially the same for that company. Another instance of a somewhat similar character was experienced when two companies under the management of Messrs. E. D. Sassoon & Co., Ltd., refused to transfer shares to the name of a member of our Committee because we most strongly criticised their recent action of compelling their companies to convert portions of their rupee indebtedness to them into gold dollar liabilities—an action which has been so widely condemned throughout the City. Though this may be regarded as a small matter in the management of companies, we submit it is sufficiently indicative of the conditions prevalent in the industry where the managing agent has become the virtual master of the company. The direction in which therefore the reform is needed is the vesting of real power in directors and in shareholders for the management of the company. In our previous representation we have met the contention that such powers exist at present and we do not propose to cover the same ground here.

Having dealt with the question of control of management by the proprietors through a majority of independent directors who should be unconnected with the managing agents, we would now proceed to indicate the other directions in which the management should be reorganised. Our idea of independent directors obviously is opposed to the bane of multiple directorships which in our opinion is responsible for the weakness of management and for the possibilities of slackness and lack of honesty in certain cases. We are attaching herewith a list of directorships (marked "C") held by some individuals illustrating the prevalence of this evil in Bombay. Making the fullest possible allowance for the exceptional ability and business experience of these gentlemen, it passes our comprehension that they are such supermen as to be able to conscientiously discharge their duties

towards the shareholders when as many as sixty-five directorships are held by one individual of which thirty-five are of cotton mill companies. Whilst refusing to believe that such directors fulfil our conception of a director of a joint stock company we cannot help referring also to the potential dangers underlying the interlinking of wide and varied interests through such multiple directorships. Our list will show, that certain gentlemen who are members of firms of managing agents of more than a dozen companies have also deemed fit and proper to become directors of other companies not only in the same industry but in other industries also. We ask if it is fair to the shareholders of the companies of which they are managing agents that instead of devoting their whole energy, time and attention to their own companies, they should accept outside directorships. We contend that the multiple directorships have resulted from the concentration of the reins of business control in a few hands who at present wield the patronage of appointing directors on most of the companies in Bombay. The complaint made that suitable directors are not available is entirely groundless and can only emanate from interested quarters who naturally wish to perpetuate vested interests by making directorships their close preserve. We have reasons to state that whenever new directors have been appointed at the instance of our Association, these directors have invariably proved most useful. These cases prove most conclusively that the contention as regards the paucity of suitable talent for company directorship is baseless. That our companies suffer from the existence of guinea-pig directors can be amply substantiated from our experience. When an Industrialist and Financier of the experience of Mr. J. A. Wadia informed the last Tariff Board that "the majority of the Directors whether they are Directors of Banks or Directors of mills hardly take much interest in the concerns. If they are a bit active then they go" it clearly urges the imperative necessity of bringing about the suggested reform in this regard. Our complaint against managing agents of mills accepting directorships of other mill companies is justified on the ground that where the mills have been known to be most successfully managed the managing agents of such mills have scrupulously refrained from the temptation of accepting numerous directorships in other concerns. We suggest, therefore, that this growing evil of multiple directorships should be banned by a suitable provision in the Indian Companies Act on lines similar to those recently followed in Germany where the law has been amended to prohibit multiple directorships as will be seen from the following extract appearing in the Investors Chronicle and Money Market Review, dated the 26th September, 1931 :

"Regulating 'Multiple' Directors: A reform of German Share Company Law to secure that nobody is permitted to be a member of more than twenty Boards affects 133 persons.

Herr Jacob Goldschmidt of the Darmstadter und National Bank has held the record with 114 of such posts of which he must now relinquish 94. Herr lois Hagen and Herr Heinrich von Stein each held 60. Twenty-five other persons held between them over 1,000 directorships."

The last Tariff Board recommended that at least one member of each firm of managing agents should have received technical training. We have to invite the attention of the Board to the correspondence we had with the Millowners' Association, Bombay (*vide* Exhibit D to our previous representation), from which it will be seen that the millowners have not taken any action whatever on this very important recommendation. We fail to understand why a firm of managing agents which in one case controls as many as thirteen mills should not have seen the desirability of carrying out this recommendation. Absence of such qualifications has naturally made the managing agents dependent upon outsiders and the employment of highly paid superintendents and other officers will in our opinion be obviated if a member of the managing agents' firm possessed the necessary technical qualifications. The need for this reform is so obvious that it would be superfluous to emphasise it and we can only urge the Board to insist upon the prompt compliance with this recommendation.

The weakening influence of directors should now be effectively checked by restricting the right of the managing agent to be represented on the Board by only one member of the firm.

We are convinced that the abolition of the managing agency system would be the best method for rationalising the management of the industry. We are however alive to the difficulties created by the continued existence of this system for a number of years past and are painfully driven to the conclusion that whilst an old system cannot at once be dispensed with root and branch without causing some disturbance to the industry the only alternative left open to us is to suggest means for the minimising of the evils besetting this system. At any rate we would insist that the present law should be amended in such a way as to make the managing agency system void in future for all Joint Stock Companies.

The period of managing agency contracts varies from fifteen to ninety-nine years with provisions which ensure their continuance after expiry till the agents resign. These contracts may therefore be described as virtually perpetual. We are not unaware of clauses in a few agreements providing for removal of managing agents but the actual effecting of this removal is generally hedged around with practically insuperable difficulties. It is therefore very essential that the period of managing agency contracts should be limited by law to 7 years in the first instance with power to shareholders in general meeting to renew the same for a like period. We further urge that on the recommendation of the directors it should be open to shareholders to remove the managing agent any time during the currency of the agreement for incompetence or mismanagement. Another point arising out of the managing agency agreement is the managing agents' right to assign the agreement. This opens out possibilities of foisting on the company undesirable parties as managing agents who may purchase the agency for a money consideration thus militating against efficient management. We urge therefore that the right of assignment should be declared void on lines similar to section 151 of the New English Companies Act already referred to in our previous representation. Further the right of the managing agent to mortgage a part or whole of his commission should be taken away as it lays the management open to outside influence which may not be in the best interest of the company. Moreover, there is another standpoint from which the abolition of this right is rendered necessary. The sole *raison d'être* of the managing agency system is the financial standing of the managing agent behind his company. If therefore the managing agent is reduced to a financial state where he has to mortgage his commission this justification of the managing agency system vanishes. The mortgaging of such commissions in the past has been done without the previous knowledge or consent of the shareholders and has invariably led to deterioration of the credit of the company.

The compensation clause in agency agreements entitling the agents to the payment of compensation in the event of liquidation should be declared void as such clause besides operating as an unjustifiable drain on the resources of the company definitely acts as a bar to the consideration of projects like amalgamation with other companies or the wider question of bringing about a general merger with a view to increased efficiency or to secure larger internal economies in management. Though the Bombay Millowners' Association has not yet thought fit to vouchsafe to the public all the reasons for abandoning the merger scheme we presume that the effectual carrying out of that scheme was obstructed by the existence of such clauses in the managing agency agreements. A similar clause which guarantees the continuance of the same agency in the event of the business of the company being transferred to another company also operates in the same way as described above and this clause also should be declared void.

Times without number it has been dinned into our ears that the managing agents who are supposed to bear responsibility of arranging finance for the concerns they manage have made heavy sacrifices. It does not however appear to have been widely realised that the difficulties and embarrassments

caused to the agents in times of prolonged depression are to a large measure the creation of the managing agents themselves. We cannot make ourselves believe that the alleged responsibility is so real because if that were so managing agents would not be so very anxious to multiply their responsibilities by undertaking the agencies of numerous concerns. In our opinion there are so numerous many-sided attractions round the agency that they obviously must be by experience more compensating than the difficulties arising out of arrangement of finance. The concentration of agencies therefore in the same firm is bound to lead to increased embarrassments in difficult periods and must therefore be checked.

We have endeavoured to set out in these replies and our previous representation the various ways and forms in which the managing agents can and do supplement their income from the concerns under their control in addition to their managing agency remuneration. We are convinced that these indirect sources of income have placed the managing agents in a position which cannot be reconciled with their duties and obligations to their concerns. The pursuit of such gains has in several cases had the pernicious effect not only of lowering the agents in the estimation of the shareholders but has also led to indifferent and inefficient management. We are therefore of the considered opinion that the managing agency system even in existing concerns can only be tolerated if the possibilities of making such gains are entirely eliminated by a legislative provision making it penal for the managing agent to derive directly or indirectly any income other than the prescribed agency remuneration and the interest or dividend on his financial stake in the concern. We believe that a legislative enactment of this character will leave the managing agency system so effectively shorn of its attractions that there will be little anxiety for the unseemly multiplication of agency interests which has been our unfortunate experience in the past. The suggested provision will stimulate efficiency and confidence in mill management as already stated in our previous representation (para. 21).

We consider that a general merger of the different units engaged in the industry in Bombay appears under the existing circumstances to be the most practicable course for the salvation of the industry. We are not unaware of an attempt made in 1930 in this direction, but the reasons given for the abandonment of such a scheme can hardly be believed to be conclusive evidence of insuperable difficulties in the way of achieving such a merger. There has been a lively apprehension in several quarters not unfriendly to the Bombay Millowners' Association that the real rocks on which the ship of the merger scheme foundered have not yet been disclosed. In this connection the "Times of India" after mentioning the two reasons made public for the abandonment of the scheme wrote as follows in its issue of 9th April, 1931:—

> "This however is only part of the story, and its circulation gives the erroneous impression that the blame for the failure of the scheme rests entirely with Government. The facts are that Government offered to remit half the stamp duty and negotiations between the Merger Committee and Government on that issue, and between the Committee and the Imperial Bank on the loan proposal, had not concluded when a new development arose. With the brightening of trade prospects an important group of mills and several individual mills took the view that they could do better for themselves by remaining outside the merger. The representatives of the other groups pointed out that any large withdrawals would alter the whole basis of the scheme. They were prepared to amalgamate on certain conditions with the original number of mills, but the same conditions did not apply to smaller groupings since one big factor, local competition, would still persist. Ultimately the Committee agreed to postpone further discussion of the merger indefinitely on the ground, firstly, of the difficulty with Government and the Imperial Bank, and secondly, of the desire of certain mills to withdraw."

The above comments merely reflect a widely held impression that the undertaking given by the millowners on the eve of the grant of protection in 1930 to put their house in order was forgotten with the better prospects ensured through protection and an intensified campaign of Svadeshi. It is clear that any merger scheme to be successful must involve some sacrifice on the part of the different units in the industry and their relative managements. It is therefore pertinent to inquire how far the different units and their relative managements were prepared to make sacrifices in the interest of the industry as a whole. The millowners to our knowledge have done nothing to explain this aspect of the situation. In para. 36 of their preliminary representation, the Bombay Millowners' Association has stated that the "scheme had to be abandoned owing to the financial and other difficulties inherent in it." It would certainly assist the present inquiry if a description of the "other difficulties" referred to were now made public. Even assuming that a general merger is not a practical proposition, we urge that the basic idea of co-operative effort should be applied at least to certain departments of the industry. The need for such co-operative effort has been repeatedly recognised. The Bombay Government in the White Paper issued in 1930 observed as follows.—

> "Such matters as the grouping of mills for specialisation in particular kinds of cloth, joint buying and joint marketing, writing down of capital and co-operative effort generally, are being closely examined by the Millowners' Association. . . . ."

Further Mr. Lalji Naranji as Deputy Chairman of the Millowners' Association in his speech at the Annual General Meeting held in February, 1930, referring to the desirability of standardising the production of certain types of goods said "the days when the individual mill could afford to chalk out its own lines of production are in my opinion gone and the end to work for must be the general good of the whole industry". We entirely concur with this very true expression of an urgent need for the industry but regret that noble sentiments of this character emanating from responsible spokesmen of the industry have not been translated into actual practice. We believe that the team work suggested by Mr. Lalji in one direction is not only desirable but certainly practicable in this and other directions. It passes our comprehension why purchases of raw material, stores, etc., and sales of finished products cannot be arranged on co-operative or joint lines particularly when the industry in Bombay possesses an organised nucleus for such an effort in the Millowners' Association. We repeat that if every unit in the industry realises that the end to work for must be the general good of the whole industry there can be no difficulty in organising separate companies for the specific purpose of, say, purchasing raw material and stores, arranging freights for imported articles or of marketing the products of the industry. It cannot be denied that such an organisation, which of course assumes some self-abnegation on the part of the individual mill agents, is fraught with immense potentialities of effecting not only economies and eliminating waste but also of ensuring a fortified position to exact bargaining terms for purchases and sales. We cannot understand why such an organisation, say, for the purchases of stores cannot be immediately formed when as stated previously special companies for similar objects have been hitherto formed as a joint venture by several managing agents.

The results shown by a predominant majority of the mill companies in Bombay for the past few years have been either definite losses or such small profits as not to prove sufficient even to provide normal depreciation. Even the protection granted in 1930 has not enabled the industry to earn such profits as would make possible any return on the capital invested in most of these companies. We take it that no scheme of protection which results in the industry not being enabled to show a reasonable return on capital can be regarded as adequate. The question, therefore, of limiting dividend until certain conditions have been satisfied hardly arises. We cannot however help pointing out that the shareholders of most of the cotton mill companies in Bombay have gone absolutely without any return on their

investments for years past. It would therefore be most unfair to deny them participation in the prosperity of the industry should it eventuate as a result of adequate protection that, we urge, ought to be granted to the industry and of the achievement of the various economies and savings that could be effected if our suggestions in that regard are carried out. We submit that after full provision is made for normal depreciation a fair return on the capital invested should not be withheld if the employment of fresh capital in the industry is not to be permanently discouraged.

Some of the matters arising on question No. 35 such as the carrying out of the recommendations of the previous Tariff Board, the closer touch with consuming centres and with labour, etc., etc., having already been dealt with in our previous representation, we do not propose to deal with them again on this occasion. We would only add that the Board will be good enough to insist upon the industry carrying out their recommendations as regards reorganisation of management and other matters and will also suggest measures which will ensure that their recommendations will be carried out.

Question No. 36.—"The Companies Act is bad enough, there is a lot to be uprooted and a lot to be replanted," declared Sir Purshotamdas Thakurdas at the meeting of the Federation of Chambers of Commerce and Industry held on 9th April, 1931, at Delhi (*vide* page 192 of the Proceedings). If a gentleman like Sir Purshotamdas Thakurdas occupying 42 directorships in different companies covering various industries, can give expression to his feelings in regard to the character of the Companies Act in such strong language, the Board may well imagine the feelings of the average investor on the point. Our experience of the working of the Indian Companies Act has convinced us that it is an extremely unsatisfactory and antiquated piece of legislation absolutely inadequate to meet the conditions created after the war. Its ineffectiveness in several matters particularly in the direction of controlling the managing agency system, which as already pointed out has lent itself to several abuses, has completely shaken the confidence of the investor and to that extent, it may be stated, the development of the cotton mill industry has been adversely affected. It would prolong this enquiry inordinately if we were to dwell upon all the numerous matters in respect of which amendments in the Companies Act have become necessary. This may be a subject for separate enquiry at the hands of a representative committee and we trust the Board will press upon the Government of India the urgent necessity of appointing a committee to report upon the amendments necessary in the Companies Act. In the meantime we would bring to the notice of the Board a few points upon which legislative or other action is immediately necessary in the interests of the community in general and the investing public in particular.

Our suggestions in this regard are as follows:—

(1) No managing agent should be allowed to charge managing agency commission except on the basis of a percentage on the net profits of manufacture.

(2) In the calculation of the managing agency commission debenture interest and depreciation should be deducted from profit.

(3) No managing agent should be allowed to charge office allowance.

(4) The practice of charging commission on production or sale should be prohibited.

(5) Shareholders should be at liberty to remove a managing agent for incompetence, mismanagement or other reasons by a resolution in general meeting.

(6) Not more than one member of the agents' firm should be a director of the company.

(7) Any article or provision purporting to restrict the powers of control and supervision of the directors over the managing agents should be declared void

(8) The mutual relations of the managing agents and directors vis-a-vis the company should be properly defined

(9) The rights and powers of directors vis-a-vis the managing agents should be properly defined

(10) The managing agent should be debarred from assigning his agency or office to any person except with the consent of shareholders obtained through a special resolution

(11) The managing agent should be debarred from mortgaging his remuneration except with the consent of shareholders

(12) All clauses in the agency agreement authorising the managing agent to receive compensation on winding up or otherwise should be declared void

(13) All clauses in the managing agency agreement authorising the managing agent in the event of the company's business being transferred to another company to act as the agent of the transferee company or which prohibit the transfer of the company's business to another company unless the managing agent is appointed the agent of the transferee company should be declared void

(14) All clauses in the agency agreement authorising the managing agent to act as buying and or selling agent of the company or which authorise him to contract with the company or to occupy any place of profit in the company other than his office of managing agent should be declared void

(15) It should be made penal for the managing agent to receive directly or indirectly any profit commission allowance payment compensation or any other remuneration either through himself or others in respect of work done services rendered or contract entered into except his agency remuneration prescribed by the agency agreement and the prescribed interest on his financial stake in the concern

(16) In no case should the period of the agency agreement be of more than seven years' duration with power to the shareholders to renew the same

(17) Agency agreements should not be varied modified or renewed nor should the agency commission be increased except with the consent of the shareholders obtained through an extraordinary resolution

(18) Names of partners in the managing agents firm with changes therein should be recorded in a register to be kept for the purpose If other persons are interested in the commission their names with full particulars of their interests should also be recorded This register should always be open to inspection of shareholders

(19) Managing agents should be bound to carry out the orders of the shareholders in general meeting assembled

(20) The managing agency system in regard to new companies to be declared void

(21) Three fourths of the total number of directors should be independent of the managing agent

Our grounds for the reforms aimed at by the aforesaid items have already been stated

(22) An interested director should not be considered part of the quorum and all articles to the contrary should be declared void

We have come across articles which lay down that interested directors shall be counted in quorum notwithstanding their interest (see for example Article 130 of the Ahmedabad Advance Mills Ltd Article 131 of the Central India Spinning, Weaving and Manufacturing Co Ltd, and Article 107 of the Apollo Mills Ltd) Thus where in a company possessing a Board consisting of five directors the prescribed quorum is of three directors and if at a meeting of the Board three

directors attend two of whom are interested in any question before the meeting such question can be decided by the vote of the remaining director only which is obviously most undesirable. We would like to add that under a legal ruling interested directors are not considered part of the quorum. But it is not clear whether this ruling will apply where the articles themselves prescribe that interested directors should be counted in a quorum. We may also add that in the articles of association of British mill companies such provisions are generally not inserted [see, for example, Article 105 of the British Thread Mills, Ltd., and Article 103 of the Salts (Saltaire), Ltd.].

(23) The office of a director should be vacated if he occupies any other office or place of profit either under the company or the managing agent.

The object aimed at is apparent. We are following to a large extent the principle laid down in clause 77 (*b*) of Table A. As a matter of fact there are some companies which have adopted this or a similar clause in their articles.

(24) Every director should declare that he holds his qualification shares in his own right. He should be liable to penalty in case of false declaration.

The object of this provision is self-evident.

(25) At every annual general meeting half the total number of directors should retire. Shareholders wishing to nominate other directors in place of those retiring should not be required to give more than four days' notice.

This suggestion has been made in order that every director may retire at the end of two years. In several cases shareholders are required to give eight to ten days' notice if they want to propose any person other than a retiring director. It is difficult to comply with this condition when balance sheets are received generally eight days before the date of the meeting.

(26) It should be competent to shareholders in general meeting to appoint additional directors without previous notice.

The power aimed at is essential. As a matter of fact articles of several companies give this power to shareholders. In those cases however where the power is not given difficulties have been experienced if shareholders want to put in their own directors at the annual general meeting.

(27) It should be competent to shareholders to remove a director by a resolution in general meeting.

A number of articles of association provide that directors can be removed by a special resolution only. This is most unfair. We do not understand why when directors can be appointed by an ordinary resolution they could not be removed by a similar resolution. Anybody having experience of the difficulties which the shareholders have to undergo in obtaining the three-fourths majority which the special resolution requires will agree that such articles are not in the interests of shareholders.

(28) No directors should be allowed to attend or to be present at the board meeting when any contract or arrangement in which he is directly or indirectly interested or concerned is under consideration by the Board. Such contract or arrangement should not be sanctioned except by a majority of three-fourths of the directors present at the meeting of which special notice should have been given to the Board.

This is a very essential safeguard.

(29) The company should keep a register in which should be kept particulars of contracts or arrangements entered into between it and its directors. These particulars should also include the date of the Board's resolution

authorising the contract or arrangement, the names of the directors present at the meeting and the names of those who voted for or against the contract or arrangement. This register should be open to inspection by shareholders.

At present there is nothing for the shareholders to know what arrangements or contracts are made between directors and their companies. Managing Agents hesitate to give to shareholders information as regards the names of directors present. They decline to give the names of those who voted for or against the contract or arrangement between the Directors and the company. It is the right of the shareholders to know how far their concern is being made use of for the personal benefit of the Directors. If a register of the kind suggested is kept shareholders will have an opportunity of keeping themselves informed on this point.

(30) Managing Agents and Directors should be debarred from lending the company's funds to themselves or to any persons or firms in which they are interested or with which they are connected.

This suggestion obviously does not require any reasons to commend it.

(31) Managing Agents and Directors should be prohibited from investing the company's funds in a sister mill managed by the same managing agents except with the consent of shareholders in general meeting.

The previous Tariff Board has expressed itself against the practice of investing funds in sister mills. In view of the facts already placed before the Board it will be seen that the necessity for this reform is urgent.

(32) Directors should be bound to supply to shareholders such statements and particulars as may be demanded by them by a resolution in general meeting.

This is very essential in order to make directors responsible to shareholders.

(33) Directors should be prohibited from changing the currency of a loan except with the consent of shareholders in general meeting

In view of what has happened in regard to the change of rupee loans into gold dollar loans in a group of mills managed by the Sassoons this provision has become absolutely necessary.

(34) The Chairman of the meeting should be bound to adjourn the meeting if so demanded by the majority present in person at the meeting.

Several articles contain a provision that the Chairman will not be bound to adjourn the meeting although in the opinion of the majority of shareholders present such adjournment is necessary. It is our experience that this discretionary power vested in the Chairman has been abused on certain occasions and has operated to the serious inconvenience of shareholders. Article 62 of the British Thread Mills, Limited, and Article 62 of Salts (Saltaire), Limited, show that the Chairman will be bound to adjourn the meeting if so desired by the meeting.

(35) Persons to be appointed directors should not be those who are already directors of a specified number of companies to be fixed by the Statute.

This is suggested in order to remedy the evil of multiple directorships which we have already discussed. We may add that recently Mr. Justice Page of the Calcutta High Court observed:—

"The case before him boldly illustrated the danger of having the same persons on the Boards of too many companies, for they would not thereby be able to do their duty to all" (see *Capital*, dated the 15th March, 1928, page 529).

(36) No two persons who are partners of the same firm or are directors of the same private limited company or one of whom is an agent for the other or for the mercantile firm of which the other is a partner should be eligible to act as directors of the mill company.

This is suggested in order to avoid directorates being turned into happy family circles.

(37) Managing Agents and Directors should not solicit proxies for the appointment of auditors.

In the case of appointment of auditors it is most essential that the auditors should feel that they do not owe their appointment to the influence of patronage of managing agents or directors. We would like to bring to the notice of the Board the following passage at page 89 of that famous book " Britain's Industrial Future: In particular it should be illegal for Directors to solicit proxies or to vote as regards the appointment or removal of Auditors, who should be given a statutory right to attend and speak at all general meetings of the company ".

(38) Managing Agents and Directors should be debatted from soliciting proxies on any matter in which they are directly or indirectly interested.

The reform aimed at is absolutely necessary. The views of the Association will be amplified in oral evidence.

(39) Directors' reports should be filed with the Registrar and should contain *inter alia* particulars of the number of Board meetings held during the year and the number of meetings attended by each Director. The names of directors should be stated on the face of the report and if any director has resigned during the year, that fact should be clearly stated along with the reasons for such resignation.

It is essential to carry out the suggestion made. We have come across certain cases in which the fact of resignation of directors has not been referred to in the Directors' report. Hence the suggestion made in the latter part of the item.

(40) Section 36 of the Companies Act should be so altered as to enable shareholders to take copies or extracts of the register of shareholders.

At present under a legal decision a shareholder can only inspect the register but cannot take copy of it or extracts therefrom. He can of course claim to obtain copies on payment. In practice it has been found that the supply of copies by the company causes delay which frequently defeats the object for which copies are required. The suggestion is made to remove this difficulty.

(41) Articles giving power to directors to refuse to transfer shares should be declared void in so far as they relate to fully paid shares.

This point has been dealt with already and will be amplified in oral evidence.

(42) The annual general meeting should be held within four months from the close of the year. The notice and the balance sheet should be sent at least three weeks before the date of the meeting.

Our experience has shown that company meetings are being inordinately delayed in several cases. Again we have found that eight days' notice generally given by companies is wholly inadequate in that it gives very little time to shareholders to be ready to take concerted action if it becomes necessary to do so.

(43) The minutes of general meetings should be open to shareholders' inspection.

Inspection of minutes of general meetings is permitted by Section 21 (1) of the English Companies Act, 1929.

(44) It should be obligatory on the auditors to check the quantities of stock to certify the same.

The reform aimed at has been recommended by the previous Tariff Board and it is submitted that it should be put into effect by a legislative provision. The fact that several mill companies expressly state in their balance sheets that quantities have been certified by auditors shows that there should be no real difficulty about the matter.

(45) It should be open to auditors to communicate to shareholders anything which in their opinion, is likely to influence their judgment in regard to the affairs or the management of the company.

This is an essential provision which we propose to amplify in our oral evidence.

(46) There should be a provision in the Indian Companies Act rendering auditors liable for omission to state material facts in their reports and in the presentation of the accounts.

In our opinion this is very essential. Under section 282 of the Indian Companies Act auditors are liable to penalty for wilfully making false statements. There is however nothing to show that they would be similarly liable if they omit to state material facts in their reports and in the presentation of the accounts.

(47) Auditors should attend and have a right to speak at all general meetings of the company.

This right is granted by section 134 (2) of the English Companies Act, 1929.

(48) Indemnity clauses in articles of Association should be declared void.

In England indemnity clauses have been held as militating against efficiency (see paras. 46 and 47 of the report of the English Companies Act Amendment Committee). Under section 152 of the English Companies Act, 1929, indemnity clauses have been declared void.

(49) Accounts of mill companies at places other than those where the registered office is situate should be audited by the statutory auditors, but if that is not possible, by local auditors whose certificates must be annexed to the accounts. The appointment of local auditors should be in the hands of shareholders.

The reform aimed at is in the right direction.

(50) In the balance sheet of a mill company the relative values of stocks of cotton, cloth and yarn should be separately shown.

This is not compulsory at present with the result that certain companies show the relative values of different stocks whereas others do not. This is a matter upon which shareholders are entitled to information and it is submitted that a statutory provision is essential.

(51) The mode of valuation of stocks and investments should be fixed by the statute and not kept loose as at present.

This point has been explained in para. 30 of our first representation. Instances have come to light where the looseness of the law has enabled companies to resort to manipulations in the valuation of their stocks. It is therefore submitted that the mode of valuation should be definitely prescribed by the Statute.

(52) Profit and loss account should be attached to every balance sheet and should be considered part of the balance sheet. It should show, under the most convenient heads, the amount of gross income distinguishing the several sources from which it is derived and the amount of gross expenditure distinguishing the same under the most convenient heads. The following items of expenditure should be shown separately in the profit and loss account:—

(i) cotton,
(ii) yarn purchased,
(iii) coal and fuel,
(iv) electric power consumption,
(v) stores,
(vi) dyeing and bleaching charges,
(vii) mill salaries,
(viii) mill wages,
(ix) interest,

(x) fire insurance,
(xi) rent,
(xii) municipal rates and taxes,
(xiii) brokerage,
(xiv) office establishment,
(xv) directors' fees,
(xvi) auditors' fees,
(xvii) printing, stationery and advertisement,
(xviii) law charges,
(xix) agents' commission
(xx) cloth selling agents' commission,
(xxi) yarn selling agents' commission,
(xxii) other charges not specifically provided for (giving detail)

Under the present law companies are not required to publish profit and loss accounts. Taking advantage of this position certain mill companies do not publish their profit and loss account although in the majority of cases such accounts are published. A statutory provision is therefore essential. In England also the publication of a profit and loss account has now been made obligatory [see section 123 (1) of the English Companies Act, 1929]. We consider that the information required is very essential in the interests of shareholders. After all the object of a profit and loss account is to inform the shareholders of the different sources of income and the different heads of expenditure. Unless shareholders have the information proposed it is not possible for them to watch the affairs of their companies. The very fact that several companies published their profit and loss account in the manner suggested goes to belie the objection often urged that such information will help competitors. We hope to amplify this point in our oral evidence.

(53) A statement certified by the auditors should be attached to the profit and loss account showing the manner in which the managing agents' commission has been calculated.

In our opinion the statement proposed is essential.

(54) Section 91 (*d*) of the Indian Companies Act provides that the agent should specify in a memorandum the terms of those contracts in which the company is an undisclosed principal. It also provides that this memorandum should be laid before the directors at the next meeting. The object of this provision is to prevent agents' contracts from being transferred to the company. The section however does not effectively check the evil aimed at in as much as there is nothing in law to require the agent to call a meeting of the directors within a particular period and lay the memorandum before them. It is therefore suggested that the section be so amended as to make it obligatory upon the agent to circulate the memorandum among the directors without delay, say, within 48 hours of the transaction.

(55) The general form of proxy must be abolished.

On principal the system of general proxies is most undesirable.

(56) Proxies should be allowed to be lodged 24 hours before the time of the meeting.

There are articles which require proxies to be lodged 48 hours or 72 hours before the time of the meeting. These articles operate to the serious inconvenience of shareholders.

(57) All proxies lodged in the company's office should be open to inspection of shareholders.

This provision is badly wanted. There is no reason why the management alone should have the privilege of knowing the proxy position and taking steps secretly to obtain letters of cancellation. Again the

inspection proposed will enable the shareholders to know exactly the number of proxies lodged thereby preventing the management from putting in proxies after the prescribed time.

Conclusion.—We do not propose to discuss at length the various grounds on which the claims of the industry for adequate protection are based. In this connection we concur substantially with the arguments advanced by the Millowners' Association of Bombay that foreign competition, and particularly competition from Japan has been intensified to such an extent that it is not possible even for mills which can claim a reasonable degree of efficient management to show an adequate return on the capital invested. The industry was faced with very acute difficulties till a few months ago, and this position has been considerably aggravated by Japan going off the gold standard. That the depreciation in yen since the beginning of this year has caused havoc to our industry can hardly now be disputed, as even the Government of India have recognised the unprecedented nature of the competition resulting from this factor. It is fortunately for the industry that the Government have been good enough to refer this question as an urgent matter to the Tariff Board, and it is widely expected that some assistance would be forthcoming in the way of executive action. But it is also realised that the action which is proposed to be taken to check Japanese competition in cotton piecegoods will not meet the necessities of the situation, as very heavy quantities of artificial silk piecegoods are being imported from Japan, which, if continued, threaten to crush our cotton piecegoods out of the market. India is not a producer of artificial silk piecegoods to any considerable extent, but it will be recognised that artificial silk piecegoods, which are a complementary product, if imported to the extent of the last few months, can prove as harmful to our cotton manufactures as imports of cotton piecegoods from Japan, at the ruinous rates at which they are being sold in Indian markets. We submit, therefore, that the Tariff Board would not consider it adequate protection for our industry simply by imposing the additional duties on cotton piecegoods which are necessitated by the depreciation in yen. No scheme of protection can, in our opinion, well fulfil the desired object of putting our industry in an impregnable position in regard to inroads of foreign competition, which does not effectively checkmate the unduly heavy imports of artificial silk piecegoods as has been our unfortunate experience in recent months.

We deem it our duty to invite the attention of the Board to the peculiar position of the Bombay Cotton Mill Industry, in so far as it suffers from certain handicaps compared to the mills situated outside Bombay. Whilst we do not propose to deal at length with this subject, we may state that we have endeavoured to evolve a basis for suggesting a differential bounty in favour of the products of Bombay mills, to set off the handicaps, like the higher labour charges, Municipal assessment, etc. The facts however, in our possession have not been sufficient to enable us to successfully formulate this basis, but we suggest that the Tariff Board with all the relevant facts at their command should attempt to evolve a scheme by which the Bombay mill industry may be placed relatively in the same position as the mills upcountry to share the benefits of the protection which may be granted to the industry. We must point out that Bombay, because of its peculiar position as a political storm centre of the country, has also suffered in the past from labour troubles and it is also a matter of historical fact that the labour strikes, during the past ten years, in Bombay have exacted a heavy toll from the industry. When Bombay was in grip of prolonged labour strikes, upcountry centres, like Ahmedabad, have managed to steal a march on the Bombay industry. We recognise that a factor of infinite complexity like this cannot be translated as a handicap in terms of money, but it is no negligible a factor, hampering the progress of the industry in Bombay.

We have heard it stated in some quarters that if mills in Bombay have handicaps compared to mills upcountry, the only possible alternative is for the industry to migrate upcountry. The argument, in our opinion,

is hardly worth serious consideration, as it seems to ignore the very important considerations of historical back-ground in which the Bombay mill industry is situated. The industry dates, in Bombay, from as far back as 1851. The whole prosperity of Bombay has been conditioned by the state of the mill industry. Not only are innumerable families looking for their source of living to the cotton mills of Bombay but the various allied trades and industries, too numerous to mention, owe their continued existence to the Bombay cotton mill industry. We can hardly imagine the plight in which Bombay city would be cast if this frantically revolutionary proposal for the migration of the industry is seriously mooted.

In conclusion, we would like to make clear the position of this Association in regard to the question of protection. That our representation had necessarily to deal principally with questions pertaining to the management will, we trust, be appreciated as a matter of fact, but the honest endeavour which we have made to describe what, in our opinion, are the deficiencies in the management of the industry should not be, and, we trust, will not be, misconstrued as evidence of any desire on our part to belittle the importance of the industry in the eyes of the Tariff Board. We believe that, as pointed out by us, when even well-managed concerns are not to-day in a position to show a reasonable return on the capital invested the need for protection cannot be seriously questioned by anybody. We submit, therefore, that the best interests of all parties concerned in the industry to the industry and at the same time insisting upon the effectual carrying out of certain badly needed reforms in the management, the directions of which we have endeavoured to point out in our previous representation and these replies.

APPENDIX A.—*Statement containing particulars of Managing Agents' commissions and Office Allowances prescribed by Agency Agreements or Articles of Association in respect of 58 companies which are/were Members of the Millowners' Association, Bombay.*

No.	Company's Name.	Scale of Commission.	Minimum Yearly Commission.	Yearly Office Allowance.	REMARKS.
			Rs.	Rs.	
1	Ahmedabad Advance Mills	10 per cent	50,000	..	
2	Apollo Mills	10 ,,	..	24,000	
3	Berar Manufacturing Co.	10 ,,	30,000	..	
4	Bhagirath Spinning, Weaving and Manufacturing Co.	12½ ,,	15,000	..	
5	Bombay Dyeing and Manufacturing Co.	10 ,,	48,000	..	
6	Bradbury Mills	10 ,,		12 000	
7	Central India Spinning, Weaving and Manufacturing Co.	10 ,,	50,000	..	
8	Century Spinning and Manufacturing Co.	10 ,,	72,000	..	
9	Colaba Land and Mill Co.	4 ,, on land profits 10 per cent. on mill profits.	..	12,000	2½ per cent. on machinery, etc.
10	Coorla Spinning and Weaving Co.	¼ anna on manufacture and sale.	..	..	
11	Cresent Mills	10 per cent.	12,000	..	
12	Currimbhoy Mills	10 ,,	40,000	..	
13	David Mills	10 ,,	12,000	24,000	
14	Dawn Mills	10 ,,	15,000 24,000 if weaving is introduced.	..	Debenture Interest not to be deducted in calculating agents' commission.
15	Emperor Edward Spinning and Manufacturing Co. (In liquidation).	Commission on sale and 10 per cent. on profit.	..	36,000	
16	Ebrahimbhoy Pabaney Mills	10 per cent.	36,000	..	
17	Edward Sasoon Mills	15 ,,	36,000	..	

No.	Company's Name.	Scale of Commission.	Minimum Yearly Commission.	Yearly Office Allowance.	REMARKS.
			Rs.	Rs.	
18	E. D. Sassoon United Mills	7½ per cent.	1,20,000		
19	Elphinstone Spinning and Weaving Co.	10 ..		18,000	
20	Fazulbhoy Mills	10 ..	36,000		
21	Finlay Mills	10 ..	36,000	12,000	
22	Gokak Mills	10 ..	12,000	24,000	
23	Hindustan Spinning and Weaving Co.	10 ..	30,000	18,000	
24	Indian Bleaching, Dyeing and Printing Works.	10 ..	24,000		
25	Indian Manufacturing Co.	10 ..	30,000	18,000	
26	Indore Malwa United Mills	14 ..	12,000		
27	Jam Shree Ranjit-sinhji Spinning & Weaving Co.	3 pies per lb.	..	..	
28	Kastoorchand Mills	10 per cent. if annual profit is 10 per cent. of capital, 12½ per cent. if above.		12,000 to include rent stationery, general expenses, etc.	2½ per cent. on capital amount expended
29	Khatau Makanji Spinning and Weaving Co.	10 per cent	30,000	18,000	
30	Khandesh Spinning and Weaving Co.	On production			
31	Kohinoor Mills	10 per cent.	12,000	6,000	2½ per cent. on capital amount expended
32	Laxmi Cotton Mill	¼ anna on production			
33	Madhaoji Dharamsi Manufacturing Co.	12½ per cent.	35,000	24,000	2½ per cent on capital amount expended.
34	Madras United Spinning and Weaving Mills.	On production		30,000	
35	Manockjee Petit Manufacturing Co. (In Liquidation)	On gross sale proceeds.			
36	Meyer Sassoon Mills	15 per cent	36,000	12,000	
37	Model Mills, Nagpur	10 ..	30,000	..	
38	Moon Mills	On production	..	12,000	
39	Morarji Goculdas Spinning and Weaving Co.	10 per cent.	36,000	12,000	
40	Mysore Spinning and Weaving Co.	On production from 1 pie to 3 pies.		12,000	
41	New City of Bombay Spinning and Manufacturing Co.	10 per cent		12,000	2½ per cent. on machinery
42	New Great Eastern Spinning and Manufacturing Co.	10	..	12,000	Do.
43	Osmanshahi Mills	12½ per cent.	30,000 for each mill		
44	Pearl Mills	10 ..	36,000		
45	Phoenix Mills	10 ..	10,000	18,000 to include rent and Salaries for Fort office.	
46	Sassoon and Alliance Silk Mill	12	10,000	3,000 to include rent.	2½ per cent on machinery, 1 per cent. on raw and 1½ per cent. on waste silk.
47	Sassoon Spinning and Weaving Co.	10 ..		18,000	2½ per cent. on machinery, etc.
48	Sholapur Spinning and Weaving Co.	¼ anna per lb.	..	..	
49	Simplex Mills Co.	12½ per cent.	15,000	24,000	Rs. 1,000 per month if agents provide supervision.
50	Sir Shapurji Broacha Mills	10	18,000	24,000 to include rent, salaries, etc.	
51	Svadeshi Mills Co.	10	10,000	..	
52	Swan Mills	10 ..	20,000	12,000	
53	Satya Mills	10 ..	30,000	12,000 salary 2,400 allowance.	

No.	Company's Name.	Scale of Commission.	Minimum Yearly Commission.	Yearly Office Allowance.	REMARKS.
			Rs.	Rs.	
54	Standard Mills	10 per cent. and a sum of Rs 30,000	..	..	Debentures Interest not to be deducted in calculating agents' commission.
55	Tata Mills	10 per cent.	..	14,400 to include upkeep of office.	Do.
56	Victoria Mills	3 per cent. on sale proceeds	..	..	
57	Vishnu Cotton Mill	2 annas in the rupee.	..	18,000	
58	Western India Spinning and Weaving Co.	10 per cent.	30,000	18,000	

NOTE 1.—In no case is depreciation to be deducted from profits in calculating the agents' commission.
2.—In no case is the Agents' commission confined to manufacturing profits only.
3.—In several cases remuneration shown above is not the only income drawn from the Company by the Managing Agents as there are cases where Managing Agents earn additional commissions as per our reply to Question 433.

APPENDIX B.—*Notes from the Memoranda and Articles of Association and Agency Agreements of five new Mill Companies established in Ahmedabad in 1931.*

I.—THE AJIT MILLS, LTD.

Date of Registration.—25th May 1931.

Agents' Name.—Chunubhai Naranbhai and Company, Limited.

Name of First Directors.—Mr. Ambalal Sarabhai, Mr. Sakarlal Balabhai, Mr. Chandulal Madhavlal, Mr. Chimanlal Chhotalal, Mr. Chinubhai Naranbhai (*ex-officio*).

Authorised Capital.—Rs. 9,00,000 in 9,000 shares of Rs. 100 each.

Issued Capital.—Rs. 5,00,000 in 5,000 shares of Rs. 100 each.

Directors' Interest.—The statement in lieu of prospectus shows that besides Mr. Chinubhai Naranbhai the other Directors are also members of Chinubhai Naranbhai and Company, Limited, and as such are interested in the remuneration payable to the firm.

Agents' Remuneration.—(*a*) 4 per cent. commission on the total sale proceeds of yarn cloth and any other products and on any other materials whatever sold by the Company (see clause 5 of the Agency Agreement).

(*b*) 5 per cent. on the total amount of bills for ginning, pressing, dyeing, bleaching, balling, bundling and such other work done by the Company (see clause 5 of the Agency Agreement).

(*c*) For any other work done such remuneration as may be agreed between the agents and the Directors.

(*d*) In case of winding up, agents entitled to recover in priority over all other claims ten times the average annual commission accrued during the preceding five years and if the company shall not have so long existed then a sum equivalent to ten times the commission accrued during the previous year (see clause 9 of the Agency Agreement).

(*e*) In the event of the Company requesting the Agents to cease working as such and the Agents consenting, then the Agents shall, before handing over the charge of the Company's property and business, be paid as compensation a sum equivalent to 12 times the commission accrued from the Company during the preceding year (see clause 10 of the Agency Agreement).

Memorandum of Association.—This is very wide and covers all sorts of business although most of them are by their very nature incognate such as mechanical engineering, landing co-operative stores, coal, iron and steel,

saw mills, soap manufacture, trading, banking, agriculture, etc. What is most extraordinary is that these businesses are to be carried on according to the discretion of the Agents and not of the Directors. Investments are to be made in such manner as may be determined by the Agents.

Agency Agreement.—(1) Agents' firm to be the sole managing, non-changeable, non-removable and permanent Secretaries, Treasurers and Agents (clause 1).

(2) No transfer to take place unless Agents appointed Agents of the transferee Company.

(3) Company not entitled to pass any resolution for removing the Agents.

(4) Agents to exercise all powers conferred upon them by the Memorandum and Articles of Association.

(5) Managing Agents authorised to work as buying and selling agents.

(6) No member of the Agents' firm to be prevented from holding any office of profit.

(7) Agents' firm to sell at the rates they like.

(8) Agents authorised to deal with any firm in which they are directly or indirectly interested.

(9) All other usual clauses about assignment, pledge of commission, change of constitution, etc.

Articles of Association.—These curtail the Directors' powers. Under Article 145 Directors are to do such acts and to exercise such powers only as are not exclusively vested in the Agents. Agents have been invested with several powers including power to borrow, to lend, to sell and exchange, to invest, to lend to shroffs and to themselves, to purchase, to keep accounts with them and Directors, to debit to depreciate certain kinds of expenses, appoint attorneys with power to attorneys to sub-delegate, to set aside funds for internal reserve. The effect of the Articles and the Agency Agreement is that the Managing Agents are everything while the Directors are nothing. There is one extraordinary clause (Article 40) which authorises the Directors to frame such rules as they like for all cases not provided by the Articles and makes such rules binding on all including the shareholders who are also debarred from challenging the same in a court of law. The rules also have retrospective effect.

11.—The New National Mills, Ltd.

Date of Registration.—1st June, 1931.

Agents' Name.—Messrs. Popatlal Harilal Nagri and Company, Limited.

Names of First Directors.—(1) Sheth Jivanlal Girdharlal, (2) Sheth Kasturbhai Lalbhai, (3) Sheth Chunilal Nagindas Chinai, (4) Sheth Somnath Rupjidas, (5) Mr. Girjashankar Harishankar Joshi, (6) Mr. Mohanlal Chunilal, (7) Sheth Popatlal Harilal Nagri (*ex-officio*).

Authorised Capital.—Rs. 7,25,000 in 7,250 shares of Rs. 100 each.

Issued Capital.—Rs. 7,25,000 in 7,250 shares of Rs. 100 each.

Directors' Interest.—Directors are shareholders of Popatlal Harilal Nagri and Company, Limited, who are the Agents.

Agents' Remuneration.—(*a*) 4 per cent. commission on the total sale proceeds of yarn, cloth and other manufactures and any other materials whatever sold by the Company (clause 5 of the Agency Agreement).

(*b*) 5 per cent. on the total amounts of bills for ginning, pressing, dyeing, bleaching, baling and bundling and other work done by the Company (clause 5 of the Agency Agreement).

(*c*) For any other work done such remuneration as may be agreed between the agents and the directors.

(*d*) In case of winding up, Agents are entitled to recover in priority over all other claims against the Company a sum equal to ten times the

average annual commission accrued during the previous five years (clause 9 of the Agency Agreement).

(e) On the company requesting the Agents and the Agents agreeing to cease working, Agents are entitled to twelve times the commission accrued during the previous year (clause 10 of the Agency Agreement).

Memorandum of Association.—Under the Memorandum the Agents are given wide powers in the matters of borrowing and investing money. It also authorises them to act as buying and selling agents. The Memorandum is very wide and covers many incognate objects.

Agency Agreement.—(1) Appointment of Agents not liable to be revoked or cancelled on any other ground except their voluntary resignation in writing (clause 2).

(2) No sale or transfer of the Company can take place if the Agents are not appointed Agents of the transferee Company (clause 11).

(3) Agents are entitled to deal with firms in which they are directly or indirectly interested.

(4) Agents are authorised to act as buying and selling Agents.

(5) Clauses about assignment, pledge of commission, etc.

Articles of Association.—Directors' powers are greatly curtailed. Directors are to do such acts and exercise such powers as are not exclusively vested in the Agents (Article 114). The Agents have been invested with powers greater than those of the Directors.

III.—THE KALYAN MILLS, LTD.

Date of Registration.—25th June, 1931.

Agents' Name.—Messrs. Kalidas Motibhai Mehta and Sons, Limited.

Names of First Directors.—(1) Kalidas Motibhai Mehta, Esq., (2) Himatlal Kalidas Mehta, Esq., (3) Chhotalal Hemubhai Mehta, Esq., (4) Govinddas Maneklal Mehta, Esq., (5) Lalbhai Pitamberdas Mehta, Esq.

Authorised Capital.—Rs. 9,00,000 in 9,000 shares of Rs. 100 each.

Issued Capital.—Rs. 4,80,000 in 4,800 shares of Rs. 100 each.

Directors' Interest.—Statement in lieu of prospectus shows that Directors Nos. 1, 2, 3 and 5 are members of the Agents' firm.

Agents' Remuneration.—(a) 4 per cent. commission on sale proceeds of cloth, yarn and other manufacture and 10 per cent. on the net profits in respect of all other businesses.

(b) For any other work done such remuneration as may be agreed between the Agents and the Directors.

(c) In case of winding up compensation to be allowed equal to five years' commission.

(d) If Agents were to resign by mutual consent, compensation as above.

Memorandum of Association.—The Memorandum is generally wide and covers many businesses which are not of a cognate nature. Clause 46 entitles the Agents to work as buying and selling Agents on extra remuneration.

Agency Agreement.—The management is vested in the Agents who are authorised to exercise all powers and do all such acts as may be exercised or done by the Company in general meeting except those which by the law or by the Memorandum and Articles are required to be done by the Company in general meeting. Under this clause the Agents have acquired various special powers including power to acquire concerns, raise loans, enter into contract with the Company, create mortgages and charges, work as buying and selling Agents. Sub-clause (ak) of clause 9 of the Agreement contains the following stipulation:—

"Except where a particular act is required by a statute to be performed only by the Board of Directors or a general meeting, whenever

same or similar powers appear to have been given to the Company in general meeting or to the Directors on one hand and the Agents on the other, they are to be exercised only by the Managing Agents till he happens to cease to be such Agent."

Articles of Association.—Article 111 reproduces clause 9 of the Agency Agreement alluded to above.

IV.—The Nutan Mills, Ltd.

Date of Registration.—1st June, 1931.

Agents' Name.—Messrs. Jagabhai Bhogilal Nanavati and Company.

Names of First Directors.—(1) Kastoorbhai Lalbhai, Esq., (2) Dr. D. E. Anklesaria, (3) Jagabhai Bhogilal Nanavati, Esq., (4) G. V. Mavlankar, Esq., (5) Kantilal Bhogilal Nanavati, Esq.

Authorised Capital.—Rs. 5,00,000 in 5,000 shares of Rs. 100 each.

Issued Capital.—Rs. 5,00,000 in 5,000 shares of Rs. 100 each.

Directors' Interest.—As shown in the statement in lieu of prospectus. Directors Nos. 3 and 5 are members of the Agents' firm. Mr. Mavlankar is interested as legal adviser.

Agents' Remuneration.—(a) 3¼ per cent. on total sale proceeds of yarn cloth, etc.

(b) 10 per cent. on profits made from ginning operations exclusive of all incidental charges.

(c) In case of winding up, Agents are entitled to receive a sum equal to five times the average annual commission.

Memorandum of Association.—The Memorandum covers many incognate objects.

Agency Agreement. (1) Agents to continue in office till they resign or are removed for fraud, etc.

(2) The Company to sell its property subject to the Agents' rights.

(3) The Agents shall purchase all cotton, machinery stores, etc.

(4) The Agents shall sell all yarn and cloth.

(5) The Agents to be agents of a transferee company in case of a transfer.

(6) In case the company opens retail shops, agents entitled to management and commission.

(7) Clauses about assignment, change of constitution, etc.

Articles of Association.—The business of the Company is to be managed by the Directors except as is expressly provided to be done by the Agents.

Powers of Directors may be exercised by Agents wherever such powers seem to be concurrently vested in them (Article 124).

Under Article 132 the Agents are provided with certain other powers.

Agents' appointment not revocable except in case of fraud, etc.

Compensation clause as in agency agreement.

V.—The Arvind Mills, Ltd.

Date of Registration.—1st June, 1931.

Agents' Name.—Messrs. Narotaam Lalbhai and Company.

Names of First Directors.—(1) Chimanlal Lalbhai, Esq., (2) Dr. D. E. Anklesaria (3) Kasturbhai Lalbhai, Esq., (4) G. V. Mavlankar, Esq., (5) Narottam Lalbhai, Esq., (6) Narottam P. Hutheesing, Esq.

Authorised Capital.—Rs. 25,25,000 in 5,250 ordinary and 20,000 preference shares of Rs. 100 each.

Issued Capital.—Rs. 25,25,000 in 5,250 ordinary and 20,000 preference shares of Rs. 100 each.

Directors' Interest.—Messrs. Chimanlal Lalbhai, Kasturbhai Lalbhai and Narottam Lalbhai are partners in the Agents' firm. Mr. Mavlankar is the legal adviser of the Company and as such is entitled to remuneration for professional services.

Agents' Remuneration.—(*a*) 3½ per cent. on total sale proceeds of all cotton, yarn and cotton cloth manufactured and sold.

(*b*) 3½ per cent. on all other manufactures.

(*c*) 10 per cent. on net profits of ginning and pressing operations.

(*d*) In case of winding up, Agents are to be paid a sum equal to five times the average annual commission.

Memorandum of Association.—The memorandum covers many incognate objects.

Agency Agreement.—(1) The Agents are appointed for 99 years and thereafter.

(2) The Company to sell its property subject to the Agents' rights.

(3) The Agents shall purchase all cotton, machinery stores, etc.

(4) The Agents shall sell all yarn and cloth.

(5) The Agents to be agents of a transferee company in case of a transfer.

(6) In case the company opens retail shops, Agents entitled to management and commission.

(7) Clauses about assignment, change of constitution, etc.

Articles of Association.—The business of the Company is to be managed by the Directors except as is expressly provided to be done by the Agents.

Powers of Directors may be exercised by Agents wherever such powers seem to be concurrently vested in them (Article 124).

Under Article 142 the Agents are provided with certain other powers.

Agents' appointment not revocable except in case of fraud, etc.

Compensation clause as in agency agreement.

APPENDIX C.—*Statement showing particulars of Directorships held by certain individuals.*

NOTE.—This statement has been prepared from balance sheets and other published literature. Reasonable care has been taken to verify the correctness of the particulars given, but it is possible that there may be slight errors.

MR. F. E. DINSHAW.

1. The Assur Veerjee Mills, Ltd.
2. The Apollo Mills, Ltd.
3. The Azam Jahi Mills, Ltd.
4. The Ahmedabad Manufacturing and Calico Printing Co., Ltd.
5. The Bradbury Mills, Ltd.
6. The Broach Fine Counts Spinning and Weaving Co., Ltd.
7. The Crescent Mills Co., Ltd.
8. The Currimbhoy Mills Co., Ltd.
9. The Ceylon Spinning and Manufacturing Co., Ltd.
10. The David Mills Co., Ltd.
11. The Dawn Mill, Ltd.
12. The Ebrahimbhoy Pabaney Mills Co., Ltd.
13. The E. D. Sassoon United Mills, Ltd.
14. The Edward Sassoon Mills, Ltd.
15. The Elphinstone Spinning and Weaving Co., Ltd.
16. The Fazulbhoy Mills, Ltd.
17. The Finlay Mills, Ltd.

18. The Gold Mohur Mills, Ltd.
19. The Indian Bleaching, Dyeing and Printing Works, Ltd.
20. The Jamshed Manufacturing Co., Ltd.
21. The Kastoorchand Mills, Ltd.
22. The Khatau Makanji Spinning and Weaving Co., Ltd.
23. The Madhavji Dharamsi Manufacturing Co., Ltd.
24. The Meyer Sassoon Mills, Ltd.
25. The Moon Mills, Ltd.
26. The Osmanshahi Mills, Ltd.
27. The Pearl Mills, Ltd.
28. The Premier Mills, Ltd.
29. The Phœnix Mills, Ltd.
30. The Satya Mills, Ltd.
31. The Sholapur Spinning and Weaving Co., Ltd.
32. The Sir Shapurji Broacha Mills, Ltd.
33. The Simplex Mills, Ltd.
34. The Swan Mills, Ltd.
35. The Bombay Cotton Manufacturing Co., Ltd.
36. The Tata Iron and Steel Co., Ltd.
37. The Bank of India, Ltd.
38. The C. P. Cement Co., Ltd.
39. The Cement Marketing Co. (India), Ltd.
40. The Gwalior Cement Co., Ltd.
41. The Okha Cement Co., Ltd.
42. The Katni Cement Co., Ltd.
43. The United Cement Co., Ltd.
44. The Bombay Electric Supply and Tramway Co., Ltd.
45. The Tata Hydro-Electric Power Supply Co., Ltd.
46. The Andhra Valley Power Supply Co., Ltd.
47. The Tata Power Co., Ltd.
48. The Broach Electric Supply and Development Corporation, Ltd.
49. The Nasik Deolali Electricity Supply Co., Ltd.
50. The Poona Electricity Co., Ltd.
51. The Kundley Valley Electric Power Supply Co., Ltd.
52. The Tata Hydro-Electric Agencies, Ltd.
53. The United Eastern Agencies, Ltd.
54. The Dhond Baramati Railway Co., Ltd.
55. The Pachora Jamner Railway Co., Ltd.
56. The Bombay Trust Corporation, Ltd.
57. The Provident Investment Trust, Ltd.
58. F. E. Dinshaw, Ltd.
59. Consolidated Investment Trust, Ltd.
60. The Bombay Steam Navigation Co., Ltd.
61. The Bombay Telephone Co., Ltd.
62. The New India Assurance Co., Ltd.
63. The Bombay Safe Deposit Co., Ltd.
64. The Bombay Cycle and Motor Agency, Ltd.
65. The Associated Building Co., Ltd.

NOTE.—Mr. F. E. Dinshaw or F. E. Dinshaw, Ltd., is understood to have a share in the managing agencies of some of the cotton mills of which Mr. Dinshaw is a Director.

Sir Purshotamdas Thakurdas, Kt.

1. The Ahmedabad Manufacturing and Calico Printing Co., Ltd.
2. The Bharat Spinning and Weaving Co., Ltd.
3. The Colaba Land and Mill Co., Ltd.
4. The Gokak Mills, Ltd.
5. The Kohinoor Mills, Ltd.
6. The Khatau Makanji Spinning and Weaving Co., Ltd.
7. The Simplex Mills Co., Ltd.
8. The Tata Iron and Steel Co., Ltd.
9. The Imperial Bank of India.
10. The Cement Marketing Co. of India, Ltd.
11. The Katni Cement Co., Ltd.
12. The Okha Cement Co., Ltd.
13. The United Cement Co., Ltd.
14. The Ahmedabad Electricity Co., Ltd.
15. The Bombay Electric Supply and Tramway Co., Ltd.
16. The Bombay Suburban Electric Co., Ltd.
17. The Surat Electricity Co., Ltd.
18. The Tata Hydro-Electric Supply Co., Ltd.
19. The Tata Power Co., Ltd.
20. The Andhra Valley Power Supply Co., Ltd.
21. The Indian Radio and Cable Communication Co., Ltd.
22. The Belapur Co., Ltd.
23. The Bombay Steam Navigation Co., Ltd.
24. The Ahmedabad Prantij Railway Co., Ltd.
25. The Amritsar Patti Railway Co., Ltd.
26. The Central Provinces Railway Co., Ltd.
27. The Gujerat Railways Co., Ltd.
28. The Mandra Bhon Railway Co., Ltd.
29. The Sialkot Narowal Railway Co., Ltd.
30. The Tapti Valley Railway Co., Ltd.
31. The Central India Mining Co., Ltd.
32. The Shivrajpur Syndicate, Ltd.
33. The Bombay Safe Deposit Co., Ltd.
34. The New Prince of Wales Press Co., Ltd.
35. The Associated Building Co., Ltd.
36. The Surat City Press Co., Ltd.
37. The Broach City Press Co., Ltd.
38. The Karouli Ginning and Press Co., Ltd.
39. The Tata Hydro-Electric Agencies, Ltd.
40. The Hajibhoy Aden Salt Works, Ltd.
41. The Oriental Life Assurance Co., Ltd.
42. The East India Cotton Association, Ltd.

Sir Pheroze C. Sethna, Kt

1. The Ahmedabad Advance Mills, Ltd.
2. The Assur Veerjee Mills, Ltd.
3. The Bombay Cotton Manufacturing Co., Ltd.
4. The Bradbury Mills, Ltd.

5. The Central India Spinning, Weaving and Manufacturing Co., Ltd.
6. The Ceylon Spinning and Weaving Co., Ltd.
7. The Currimbhoy Mills Co., Ltd.
8. The David Mills Co., Ltd.
9. The Fazulbhoy Mills, Ltd.
10. The Jamshed Manufacturing Co., Ltd.
11. The Kastoorchand Mills Co., Ltd.
12. The Madhowji Dharamsey Manufacturing Co., Ltd.
13. The Pearl Mills, Ltd.
14. The Simplex Mills Co., Ltd.
15. The Sir Shappurji Brocha Mills, Ltd.
16. The Swadeshi Mills Co., Ltd.
17. The Azam Jahi Mills, Ltd.
18. The Tata Iron and Steel Co., Ltd.
19. The Central Bank of India, Ltd.
20. The Union Bank of India, Ltd.
21. The Indian Cement Co., Ltd.
22. The Andhra Valley Power Supply Co., Ltd.
23. The Bombay Steam Navigation Co., Ltd.
24. The New India Assurance Co., Ltd.
25. Alcock Ashdown & Co., Ltd.
26. Jost's Engineering Co., Ltd.
27. The New Union Flour Mills, Ltd.
28. Kemp & Co., Ltd.
29. The Assam Match Co., Ltd.
30. The Swedish Match Co., Ltd.
31. The Bombay Telephone Co., Ltd.
32. The Automobile Acceptance Co., Ltd.
33. Akbar Manufacturing Press Co., Ltd.
34. Hazibhoy Aden Salt Works, Ltd.

NOTE.—Sir Pheroze C. Sethna is understood to have a share in the managing agency commission of some of the cotton mills of which he is a Director.

MR. H. P. MODY.

1. The E. D. Sassoon United Mills Co., Ltd.
2. The Elphinstone Spinning and Weaving Co., Ltd.
3. The Madhowji Dharamsey Manufacturing Co., Ltd.
4. The Minerva Mills, Ltd.
5. The Model Mills (Nagpur), Ltd.
6. The Mysore Spinning and Manufacturing Co., Ltd.
7. The Sir Shapurji Broacha Mills, Ltd.
8. The Swadeshi Mills Co., Ltd.
9. The Central Bank of India, Ltd.
10. The Scindia System Navigation Co., Ltd.
11. The Bombay Cycle and Motor Agency, Ltd.
12. The Tata Power Co., Ltd.

MR. LALJI NARANJI.

1. The Finlay Mills, Ltd.
2. The Gold Mohor Mills, Ltd.
3. The Jam Shree Ranjitsinghji Spinning and Weaving Mills Co., Ltd. Share in Agency.
4. The Khandesh Spinning and Weaving Mills Co., Ltd. Share in Agency.
5. The Satya Mills, Ltd.
6. The Swan Mills, Ltd.
7. The Madras United Spinning and Weaving Mills Co., Ltd. Share in Agency.
8. The Bharat Spinning and Manufacturing Co., Ltd.
9. The Scindia Steam Navigation Co., Ltd.
10. The Jupiter General Insurance Co., Ltd.
11. The Industrial and Prudential Assurance Co., Ltd.
12. The Belapur Co., Ltd.
13. The Okha Salt Works.
14. The New East India Press Co., Ltd.

SIR FAZULBHOY CURRIMBHOY EBRAHIMBHOY, KT.

1. The Ahmedabad Manufacturing and Calico Printing Co., Ltd.
2. The Bradbury Mills, Ltd. Share in Agency.
3. The Ceylon Spinning and Weaving Co., Ltd. Share in Agency.
4. The Crescent Mills Co., Ltd. Share in Agency.
5. The Currimbhoy Mills Co., Ltd. Share in Agency.
6. The David Mills Co., Ltd.
7. The Ebrahimbhoy Pabany Mills Co., Ltd. Share in Agency.
8. The E. D. Sassoon United Mills Co., Ltd.
9. The Fazulbhoy Mills, Ltd. Share in Agency.
10. The Indian Bleaching Dyeing and Spinning Works, Ltd. Share in Agency.
11. The Indore Malwa United Mills, Ltd. Share in Agency.
12. The Kastoorchand Mills Co., Ltd. Share in Agency.
13. The Osmanshahi Mills, Ltd. Share in Agency.
14. The Pearl Mills, Ltd. Share in Agency.
15. The Premier Mills, Ltd. Share in Agency.
16. The Azam Jahi Mills, Ltd. Share in Agency.
17. The Tata Iron and Steel Co., Ltd.
18. The Imperial Bank of India.
19. The Bombay Electric Supply and Tramway Co., Ltd.
20. The Andhra Valley Power Supply Co., Ltd.
21. The Tata Power Co., Ltd.
22. The Bombay Steam Navigation Co., Ltd.
23. The Oriental Life Assurance Co., Ltd.
24. The Tata Oil Mills, Ltd.
25. G. Claridge & Co.
26. The Bombay Safe Deposit Co., Ltd.

27. Currimbhoy Ibrahim & Sons, Ltd.
28. Currimbhoy & Co., Ltd.
29. Hazibhoy Aden Salt Works, Ltd.

SIR LALUBHAI SAMALDAS, KT.

1. The Ahmedabad Advance Mills, Ltd.
2. The Minerwa Mills, Ltd.
3. The Mysore Spinning and Weaving Co., Ltd.
4. The Prabhat Mills, Ltd.
5. The Sholapur Spinning and Weaving Co., Ltd.
6. The Tata Mills, Ltd.
7. The Western India Spinning and Manufacturing Co., Ltd.
8. The Tata Iron and Steel Co.
9. The Bank of Baroda, Ltd.
10. The Bombay Provincial Co-operative Bank, Ltd.
11. The Shahabad Cement Co., Ltd.
12. The Indian Cement Co., Ltd.
13. Marsland Price Co., Ltd.
14. The Tata Hydro-Electric Power Supply Co., Ltd.
15. The Andhra Valley Power Supply Co., Ltd.
16. The Matheran Electricity Supply Co., Ltd.
17. The Khandala Lonavala Electricity Supply Co., Ltd.
18. The Tata Construction Co., Ltd.
19. The Belapur Co., Ltd.
20. The Gaekwar Oil and Chemical Co., Ltd.
21. The Volkart's United Press Co., Ltd.
22. The New India Assurance Co., Ltd.
23. The Bombay Life Assurance Co., Ltd.
24. The Industrial and Prudential Assurance Co., Ltd.
25. The Chaparmukh Silghat Railway Co.
26. The Futwah Islampur Railway Co.

MR. N. B. SAKLATWALA.

1. The Ahmedabad Advance Mills, Ltd. Share in Agency.
2. The Bombay Dyeing and Manufacturing Co., Ltd.
3. The Central India Spinning, Weaving and Manufacturing Co., Ltd. Share in Agency.
4. The Centuary Spinning and Manufacturing Co., Ltd.
5. The Tata Mills, Ltd. Share in Agency.
6. The Svadeshi Mills, Ltd. Share in Agency.
7. The Tata Iron and Steel Co., Ltd.
8. The Imperial Bank of India.
9. The Cement Marketing Co. of India, Ltd.
10. The Gwalior Cement Co., Ltd.
11. The Shahabad Cement Co., Ltd.
12. The Indian Cement Co., Ltd.

13. The Bombay Electric Supply and Tramway Co., Ltd.
14. The Andhra Valley Power Supply Co., Ltd.
15. The Tata Power Co., Ltd.
16. The Tata Hydro-Electric Power Supply Co., Ltd.
17. The Tata Hydro-Electric Agencies, Ltd.
18. The Kundley Valley Power Supply Co., Ltd.
19. The New India Assurance Co., Ltd.
20. The Bombay Telephone Co., Ltd.
21. The Tata Oil Mills Co., Ltd.
22. The Associated Building Co., Ltd.
23. The Bombay United Building Co., Ltd.
24. Indian Hotels Co., Ltd.
25. Tata Electro-Chemicals, Ltd.
26. The Broach Electric Supply and Development Co., Ltd.
27. The Poona Electric Supply Co.
28. The United Eastern Agencies, Ltd.
29. Tata Sons, Ltd.

(3) *Letter dated the 20th August, 1932, from the Bombay Shareholders Association.*

I am directed to acknowledge receipt of your letter No. 383 of the 18th instant enclosing a copy of the statement submitted by the Bombay Millowners' Association to the Tariff Board in reply to my Association's Representation dated the 11th June, 1932. As the reply of the Bombay Millowners' Association contains several statements which are either vague, inaccurate or misleading, my Committee consider it necessary to submit this rejoinder to the Tariff Board.

Para. 2.—The quotation from the report of the previous Tariff Board has lost all force in view of the specific instances cited by us. It is now for the Millowners' Association to disprove them by adducing proofs in rebuttal. It is significant to note that they have not attempted to do that.

The opinions quoted by us are those of persons who are acknowledged as authorities on the subject and we submit that these opinions must carry weight even with the Bombay Millowners' Association.

Para. 3.—The Millowners' Association has misrepresented our attitude in connection with the criticisms of the Indian Central Banking Enquiry Committee. The Association alleges that "The Bombay Shareholders' Association have tried to make out that the Indian Central Banking Enquiry Committee had altogether condemned the system". We have done nothing of the kind. All that we have done is to bring to the notice of the Tariff Board paras. 352 and 353 of the Majority Report and an extract from the Minority Report. We did this with a view to emphasise our contention that the managing agents had in several cases failed to finance their concerns. This contention the Millowners' Association has conveniently ignored.

With regard to the quotation from the evidence of Sir Victor Sassoon given before the Royal Commission on Currency, we would only observe that the remarks of the Banking Committee and the several objectionable methods employed by mill agents in the matter of financing to which detailed references have been made in our representation would show that the so-called valuable function of the managing agent to supply finance referred to by Sir Victor has not been fully and faithfully discharged in several cases.

The Millowners' Association has quoted figures of the so-called financial sacrifices made by managing agents in Bombay during a period of six years commencing from 1926. Much has been made of these so-called sacrifices on several occasions. We asked the Millowners' Association to supply us with particulars of these figures but it has declined to do so on the pretext that they were confidential. (See our letter dated the 18th June 1930, printed at page 29 and the Association's reply dated the 31st July, 1930, printed at page 32 of our representation.) If these figures are to be advanced in justification of the existence of the managing agency system we fail to understand why we should not be given an opportunity to scrutinize them in detail. We would explain to the Board why it is necessary to verify these figures. Take for instance item 3 amounting to Rs. 1,75,92,950 which it is said represents amounts of loans advanced by managing agents and converted into capital during the aforesaid period. In the first place it is wrong to say that the whole of this amount represents the sacrifice actually made for the simple reason that the realisable value of the shares into which the loan may have been converted ought to be taken into account. Some time ago a firm of managing agents converted their loan into shares and then went on selling them out in thousands. The firm thus succeeded in recovering a substantial part of the loan converted into shares which it would not have been able to do otherwise. As a matter of fact it would not have been able to make these realisations but for the conversion. Unless therefore full particulars are submitted showing separately the names of the mills and the amounts involved in each case the figures quoted by the Millowners' Association are bound to give a misleading picture. The same remarks apply to the so-called losses incurred through guaranteeing loans from banks and other items. Even in the absence of particulars it is clear that considering the large number of 74 mills and 2 dye works taken together with the period of six years the so-called sacrifices are so insignificant as they stand compared with the enormous profits and gains which the managing agents have made out of the industry that we are surprised that they should have been seriously quoted. It will not be out of place on this occasion to remind the Board that in the case of the premier mills the managing agents got themselves relieved of their guarantee to banks by means of moneys obtained from sister companies in the manner stated in item 2 of Exhibit C to our representation.

Para 4. We are surprised that the Association should have been driven to the necessity of referring to an out of date opinion expressed by the Industrial Commission so long ago as 1916. The conditions since then have so radically changed that even the last Tariff Board held that the weaknesses inherent in the managing agency system were factors which had contributed to the depression in the industry.

Para [illegible]. It is significant that the Millowners' Association has not specified the six cases in which the statements made by us in Exhibit A are not correct according to it. It is also significant that it has given no idea of the "smallness" of the managing agents' share in the eight cases referred to by it nor has it specified these cases. We however, presume that it refers to mills under the agency of the Currimbhoys and if that is so we may point out that so far as the Indore Malwa United Mills are concerned Currimbhoys themselves are the sole selling agents. In 1921 they got nearly Rs. 90,000 as selling agency commission from this concern. Similarly it is significant that the Millowners' Association has not given any particulars of the five cases in which managing agents handle sales in one centre. The Association's silence about other cases is also easily understandable.

In this connection we would draw the attention of the Board to the reply given to us in its letter dated the 31st July 1930 that the practice of managing agents acting as guarantee brokers for the mills they control is exceptional in Bombay (see page 35 of our first representation). The Association's admission of the existence of many such cases is a significant commentary on their reply to us.

The Millowners' Association has misrepresented our position with regard to Exhibit B to our representation. The object of the Exhibit was to

show that the statement made by the representatives of the Bombay Millowners' Association before the previous Tariff Board to the effect that it was usual to forego commissions when mills made losses was not a correct statement. Instead of meeting this point straightaway the Association has introduced irrelevant matters. We need not remind the Board that before the Royal Commission on Labour, the representatives of the Association maintained that minimum commission was not taken advantage of when the mills made losses which statement is disproved by our Exhibit 'B.

We are glad to notice that in the opinion of the Millowners' Association the system of charging commission on production is undesirable and are tempted to enquire what the Association has done to put a stop to it. In this connection we would like to point out to the Board that the statement at page 79 of the printed representation of the Millowners' Association that "to-day every working mill remunerates its agents by commission based on profits" is incorrect inasmuch as there are about eight mills having their managing agents in Bombay which are working on the basis of commission either on production or sale. This will be clear on a reference to Appendix A to our replies to the Board's questionnaire.

The statement of the Millowners' Association that office allowance drawn by mill agents is not in the nature of a remuneration for the agency firm is not borne out by the actual terms of the agency agreements which we will produce before the Board if necessary. We fail to understand why the Millowners' Association contends that it is a fair charge on the industry. It has not adduced any reasons in support of its contention.

The explanations of the Bombay Millowners' Association in reference to our Exhibit C do not advance the matter any further. It is significant to note that while in the last enquiry the Millowners' Association assured the Board that there was only one instance in Bombay of investment in allied concerns, they in this enquiry are driven to admit that there are more instances of the kind. In the absence of any explanation on the part of the Association justifying the instances of investments in allied concern cited by us, it is not possible for us to reply to its contention to the effect that "as regards the majority of cases substantial reasons exist which, if required, will be explained to the Board at the proper time". We therefore pass it over after challenging the accuracy of that statement and submit that the Board should call for the necessary explanations.

The statement of the Bombay Millowners' Association that it has fully dealt with the subject of the action taken on the recommendations made by the previous Tariff Board is inaccurate. The Association's Representation to the Board in which this subject is discussed does not contain any explanation in regard to the undesirable practices referred to by the previous Tariff Board in paras. 79 and 84 of their Report.

The manner in which the Millowners' Association has tried to explain away our Exhibit E is in itself a concrete proof of the undesirability of the provisions objected to by us. It is for the Board to decide whether it is not the duty of an industry applying for protection to take steps to remove such burdensome provisions.

We do not agree that the Millowners' Association is concerned with only three out of fifteen instances given in our Exhibit F. Even in regard to the three cases admitted by the Association, no explanation has been given to the Board to justify them. In any event, we contend that the practice to allow managing agents and directors to borrow moneys from their concerns must be stopped by legislation.

The statement of the Millowners' Association to the effect that there was nothing in the mode of valuation which was open to objection in connection with the instances cited in Exhibit J to our representation is rather surprising in face of the instances given. It has not attempted to point out the so-called misapprehension from which we are alleged to suffer. It is also very significant that the Millowners' Association has given no reply in regard to Exhibit K to our representation.

Para. 6.—The Bombay Millowners' Association has misconstrued para. 25 of our representation. We have not charged any mill agent with improper conduct. Our statement that it had been established in the last enquiry that several mill agents were directly or indirectly connected with persons acting as suppliers of stores to their concerns is borne out by the records of the last enquiry. In answer to question No. 43 the Bombay Millowners' Association admits that there were three firms of mill agents in Bombay who acted as agents for machinery and mill stores and also that there were certain other firms with English officers or agents through whom they bought their stores and in those cases the agents usually received a buying commission (see para. 135, Vol. II).

Para. 7. The real issue about insurance commission has been evaded by the Millowners' Association. It has not cared to explain why the Wadia Brothers in spite of the so-called rules of the Fire Insurance Association are giving back to their companies what they receive as rebate or discount. Again the Association has not explained whether it is not possible for a mill company to obtain the usual rebate or discount which runs into 30 per cent. and upwards by placing its insurance with a company with which the managing agent is not connected.

Para. 8. We strongly protest against the remarks of the Bombay Millowners' Association that we have relied upon certain statements made by labour leaders before the Fawcett Committee. These remarks are absolutely unwarranted as will be seen from para. 29 of our Representation where we have referred to Mr. Sasakura of the Toyo Podar Mills and to Mr. Ambalal Sarabhai, a well-known mill agent of Ahmedabad. Our remarks about mill superintendents are based on the admissions made by the representatives of the Millowners' Association before the Fawcett Committee and in this connection we refer to the admission made by Mr. S. D. Saklatwala at page 329 of the proceedings of that Committee.

Para. 10. We are not surprised at the exhibition of temper displayed by the Millowners' Association in this para. We are however at a loss to understand the justification for any grievance on the part of the Bombay Millowners when in accepting the challenge publicly thrown out by their own president. We have adduced facts and figures in support of our firm conviction that the management of the industry in Bombay under the existing system suffers from serious abuses. We submit that the issues we have raised are not only relevant but of such grave importance to the continued wellbeing of the industry that no investigation at the hands of the Tariff Board can be complete unless they are fully investigated.

(4) *Copy of letter No. 505/32, dated the 28th September, 1932, from the Bombay Shareholders' Association.*

I beg to send herewith a copy of the letter dated London, 27th March, 1929, received from the Secretary of the London Stock Exchange as promised during the oral examination of the Association's representatives.

Copy of letter dated the 27th March, 1929, from the Secretary, London Stock Exchange, to the Secretary, Bombay Shareholders' Association.

I beg to acknowledge the receipt of your letter of the 8th instant and to say that the Committee do not permit a company which desires an official quotation to exercise a lien of any sort on a fully paid share. Hence a company may not refuse to transfer a share *out of* a transferer's name on the ground that such transferor is, for some reason, indebted to the company.

Similarly as regards a transfer *to* a person of whom the Directors disapprove, the Committee may permit such power to be exercised in respect of a partly paid share—the Directors must accept a transfer of a fully paid share to any person except an infant or person under legal disability.

Mohamadan Weavers' Association, Bulandshahr.

Letter dated the 26th May, 1932.

In compliance with the press communiqué dated the 11th April, 1932, inviting the representations from the firms and other persons interested in the Protection of Handloom Industry, I, as President of the United Provinces, and Joint Secretary to All-India Momin Conference (Mohammadan Weavers' Association), most humbly and respectfully beg to submit the following few points for your kind consideration and guidance to the enquiry in hand.

Before I take up the points mentioned in the communiqué one by one, I may be allowed to give briefly the history of our Association which will enable you to understand the importance of the establishment of claim for protection. Ever since the calamity brought about by the introduction of mills and foreign cloth, the weavers lost all their social and financial status. They were poor and illiterate, leading a chaotic life and subject to all sorts of humiliations. The educated and zamindar class of persons, who had been exercising a sort of social supremacy over the industrial classes, could not tolerate them to acquire higher education and partake equally with them the privileges of law and society. The British officers who had to depend upon the representations made by these so-called higher class of persons, had no occasion to come directly in contact with this poor class and listen to their demands.

This state of affairs continued till very late, when some persons of this class received higher education and realised the high-handedness of the fellow-country-men and the backwardness of their community. Fortunately the same inspiration arose simultaneously in the minds of many all over India, and when a voice of organisation and reform arose from Calcutta in 1923 through Almomin, the first journal of the community, it found support from all quarters of the country. District and provincial associations began to come into existence and lastly the movement united us all into one and First All-India Momin Conference held in 1928 at Calcutta under the Presidentship of Moulvi Abdul Majeed Moulvi Fazil, M.A., LL.B., Vice-chairman, Municipality, Benares. The Second Conference was held at Allahabad under Mr. Zahiruddin, B.A., LL.B., Advocate, Chairman, Ambala City, Punjab. The peculiar characteristic of this Conference was that more than one thousand delegates from all quarters of India and above five thousand persons of the locality took part in the deliberations. The Third Conference was held at Delhi in October, 1931, under Khan Sahib Sardar Mohamad Islam, B.A., Honorary Magistrate, Nagmatia, District Gaya (Bihar Province), which witnessed still more gathering. Out of the business that was transacted, the Conference heartily supported the Resolution passed by the Bombay Legislative Council on the motion of our brother Abdul Aziz Abdul Latif, B.A., LL.B., Vakil, Dhulia, M.L.C., for the Protection of Handloom Industry.

Among all the industrial classes in India, the population of weavers is undoubtedly the greatest. The exact figure is not yet known even through Census Reports. The reason is that in different parts of India, the members of this community are called by various names; the Momins, Sheikh Momins, Momin Ansar, Noorbafs and Julahas are the designations of this class and are counted under different heads. Moreover, many persons who have acquired some status in life do not like to call themselves the members of this class in order to avoid the social humiliation and therefore they are not counted under this head. But however, our associations are endeavouring to know the correct Census, and the general estimate arrived at by Almomin of Calcutta, Momin Ansar of Benares, Alansar of Amritsar and "Ansari" of Lahore which are exclusively the Journals of this community—is that we are about three crore individuals (30 millions), *i.e.*, a little less than half the Mohamadan population in India. There are non-Muslim

weavers also in many parts of the country; and are called the Kolis, Ores, Kamalias, etc. They being added to the above number, will make the weaver population much more than we can conceive.

There is another fact which throws some light on this matter. Ever since the proposition of using Swadeshi and discouraging the foreign cloth is working, Indian papers have been stating an opinion of the great thinkers of India that out of the cloth consumed in India, it is ⅓ that is imported from foreign countries, ⅓ is manufactured by the Indian mills and ⅓ is that which is prepared by handlooms. We are also told that about 70 crore rupees worth cloth is imported from other countries. This gives an idea to the extent of Handloom Industry and enormous population concerned in it. From these facts I strongly assert that one cannot doubt in the least the establishment of its claim for protection.

To impose certain duties on the foreign goods will certainly be one form of giving protection to this Industry. How much and to what extent can be better decided by the Board. But I can point out one thing in this connection. Cotton fine yarn above 40 counts is not so much used as that below 40 counts. The weavers of fine muslim have been compelled by the hard competition to give it up and adopt other means of livelihood. It is rather difficult to revive fine muslim on handlooms. Now remains the yarn below 40 counts. It is used in great quantities. Fine yarn that is used is all British manufacture. But the second quality is supplied by Indian mills. So far as the imposition of some duty on the yarn is concerned, I would like to suggest that no duty should be imposed on yarn. Otherwise it will cause a great loss to the weavers in comparison to the Indian mills which spin yarn for their own consumption. Yarn of other countries may be imposed with nominal duty.

The great competition which the handloom weavers have to face is the cotton piecegoods, especially thick cloth below 40 counts. It is this from which protection is sought both foreign and Indian mills' manufacture. Indian mills either be restrained from weaving cloth below 40 counts or certain amount of duty may be imposed on them and foreign cotton piecegoods may be imposed with duty. Artificial silk and cotton twist is not so much used as the ordinary cotton yarn. It will have little effect if any duty is also imposed on it.

There are certain other points which required careful study, but as the time at my disposal was very short I regret that I could not consult other members or call a meeting to give full consideration to the matter. But I assure you that every possible help will be given to the Board in all provinces of India from our association. I may be allowed to give some names to whom the Board may refer any matter in this connection:—

(1) Molvi Mohamad Yahya, Editor, Almomin, 33, Banya Pokhar Road, Calcutta.

(2) Mohamad Suleman, Esqr., M.L.C., 79, Durendra Nath Street, Calcutta.

(3) Molvi Mohamad Sana Ullah, M.A., Professor, Presidency College, Calcutta.

(4) Hafiz Zafar Husain, Vakil, Bihar Sharif (Bihar).

(5) Khan Sahib Sardar Mohamad Islam, B.A., Rais and Honorary Magistrate, Nagmatia, District Gaya.

(6) Hafiz Shamshuddin, M.A., LL.B., Professor, Law Lecturer, Patna College.

(7) Molvi Abdul Majeed, M.A., LL.B., Molvi Fazil, Madampura, Benares.

(8) M. Nizamuddin, B.A., LL.B., Advocate and Municipal Commissioner, Mohalla Yahyapura, Allahabad City.

(9) M. Mushtaq Ahmad, B.A., LL.B., Vakil, Shahjehanpur.

(10) M. Mohamad Zafar, B.A., LL.B., Advocate, Ambala.

(11) M. Zahiruddin, B.A., LL.B., Advocate, Chairman, Ambala (Punjab).

(12) Umar Mahmood, M.A., Madanpura, Bombay.

(13) Moulvi Abdul Hameed Sahib, Malegaon.

(14) M. Abdul Aziz Abdul Latif, B.A., LL.B., Vakil, Dhulia, M.L.C., Bombay.

I have given two or three names from every province except Madras where our movement has not reached as yet. I hope this will be of some help to the Board for the enquiry in hand, and the Board will not mind the inconvenience caused by some delay.

The Factoryowners' Association, Khamgaon (Berar).

Letter dated the 25th May, 1932.

With reference to the Resolution No. 341-T. (150), dated the 9th April, 1932, of the Government of India in the Department of Commerce and to your Press Communiqué, dated the 11th April, 1932, inviting representations of those interested on the above subject for consideration by your Board, I am directed by the Mill-members of my Association to submit as follows:—

At the outset, I am to express thankfulness felt by the mill-members that the Government of India have, according to the assurance given to the Legislature, started examining through your Board the effects of duties on the production of cotton piecegoods in India.

It is only two years for the passing of the Cotton Textile Industry (Protection) Act, 1930. That is, the Tariff Board will be in a position to examine the effects of the same only for a period so small as only of two years, which, your Board will agree, is not sufficient to enable the Industry to recoup itself and show any progress. Even if the period covered by the enquiry would have been of three years, I am to submit that that too would have been unable to show proper effects on the Industry.

The unfair competition arising out of inferior trade conditions obtaining in China, Japan and elsewhere in 1927 have not, to any appreciable extent, been ceased and the temporary shelter against foreign competition has proved, beyond doubt, inadequate as will be seen from the various complaints on the score. Neither the two successive Finance Acts nor the increase in the rates of duties on goods made wholly or partly of artificial silk equal to those applicable to the goods made wholly or partly of real silk have, it is considered, afforded any appreciable relief.

Trade agreement embodying a preferential tariff regime between Great Britain and India will not in any way benefit India even if it is designed to benefit the trade of both countries. At any rate, Great Britain will be a gainer if such an agreement were entered into in the Ottawa Imperial Economic Conference and India will heavily suffer inasmuch as counter action will be immediately taken by the Governments of the other countries trading with India to afford their respective trades and industries sufficient protection and help.

Further, the Industry has been seriously handicapped by the following main among other factors, *viz.*:—

(1) Present heavy trade depression.

(2) Foreign competition and competition by mills in the Indian Native States where legislations relating to the hours of work, etc., of the labourers do not operate.

(3) The heavily reduced purchasing power of the Indians arising out of—

(a) fixing of the value of the rupee to 18*d*., particularly at a time when England has abandoned Gold Standard to revive herself from the economic crisis.

(b) detrimentally heavy export of gold,

(c) sale of silver and increase of paper currency by the Government of India,

(d) abnormally heavy and unscrupulous rate of interest and discount at which the Secretary of State for India is incurring debt,

(e) heavy railway freight and unjust disparity therein in respect of cotton, cotton yarn and cloth and stores and coal,

(f) want of Reserve Bank,

and so on.

The Industry can only revive if the trade depression is removed by resorting to measures abolishing unfair competition and increasing the purchasing power of the Indians. The latter can only be done on thorough examination and taking constructive steps in respect of the causes from (a) to (f) of factor 3 cited above.

Now referring to para. 3 of the resolution of the Government of India, I am to submit that—

(1) the claim of the Indian Cotton Textile Industry to protection has already been established. There has been no sufficient period of protection, which could show the effects of protection granted in 1930,

(2) (a) the protection should be given in the form of import duties double those previously levied for all goods manufactured elsewhere for a period not less than ten years,

(b) legislative or executive measures should be forthwith adopted in respect of items (a) to (f) of factor 3 above, absence of which have handicapped the Industry as a whole and brought it on the verge of ruin at this juncture.

(3) (a) the rates of protective import duty should be the same for all goods either manufactured in the United Kingdom or elsewhere,

(b) rates of duty should be double those at present levied for imports from elsewhere in respect of

(i) cotton piecegoods,

(ii) piecegoods made wholly or partly of artificial silk, and

(iii) cotton twist and yarn—

whether they are manufactured in

(A) United Kingdom, or

(B) elsewhere.

Six spare copies are herewith attached as desired.

If your Board requires any information on the points raised herein, I shall be at service to you to supply the same.

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(2) *Copy of Resolution No. X passed unanimously on the 29th May, 1932, in the Joint Session of the 6th, 7th and 8th Annual General Meetings of the Factoryowners' Association, Central Provinces and Berar, Khamgaon, under the Presidentship of Rao Bahadur G. R. Kothare, L.M.E., M.L.C., Khamgaon.*

RESOLUTION NO. X—

Proposed by Mr. K. B. Joshi, Manager, Jamnadas Nursey Ginning and Pressing Co., Ltd., Head Office in Berar Murtizapur.

Second by Mr. T. G. Kottewar, Manager, Jasraj Shriram Ginning and Pressing Factories, Khamgaon, and

Carried unanimously.

That this meeting confirms the letter, dated the 25th May, 1932, to the Tariff Board, Bombay, and recommends to the Tariff Board the grant of,

further protection to the Indian Cotton Textile Industry in respect of tariff, substantial reduction and removal of disparity in the scales of railway freight in cotton, cotton yarn and cloth and by advocating substantial reduction in the taxation by local bodies on these goods, stores, and coal and such other steps suggested in the said letter.

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(3) *Letter No. 888/6153, dated the 25th July, 1932, from the Factoryowners' Association, Central Provinces and Berar.*

Subject:—PROTECTION TO INDIAN COTTON TEXTILE INDUSTRY.

In continuation of my correspondence with you on the subject, I have the honour to forward herewith six spare copies of the letter No. 158, dated the 9th July, 1932, from the Manager, Burhanpur Tapti Mill, Ltd., Burhanpur R. S., to me, for information and consideration of the points raised therein by your Board.

Enclosure.

The Factoryowners' Association,
Central Provinces and Berar.
Khamgaon (Berar).

Copy of letter No. 158, dated the 9th July, 1932.

From

The Manager,
The Burhanpur Tapti Mill, Ltd.,
Burhanpur R. S.,

To

The Secretary,
The Factoryowners' Association,
Central Provinces,
Khamgaon (Berar).

Dear Sir,

With reference to your letter of the 19th ultimo and the questionnaire relating to the Tariff Board enquiry, I beg to say that the questionnaire is very wide and requires labourious investigations and inquiries outside the mills, which is not practicable for mills like ours. It is the work of bodies like the Bombay Millowners' Association who have the requisite organisation and who can collect information from Customs authorities, Government and other bodies. Our reply to the questionnaire is that the Bombay Mill Owners are preparing answers and we being members of that body will adopt their answers when submitted. I return the questionnaire herewith with some hints which run as follows:—

What strikes even a casual observer is too short a period of protection which in the present case synchronised with a period of acute trade depression and political agitation, preventing a thorough reorganisation of the industry.

Various recommendations of the Tariff Board for internal economics have been carried out; capital has been written down; costs of production have been reduced and improvement has been effected in the selling organisation; production has been diversified to some extent. Hence the fault is not of the mills or mill owners though we do not maintain for a moment that everything that should be done has been done.

To begin with, the beneficial effect of the protection granted by the Protection Act of 1930 were neutralised by duties and taxes imposed primarily for the purpose of obtaining more revenue. Import duty of 6 pies per lb. on cotton, of 10 per cent. on dyes did much to deprive the industry of the protection which it would otherwise have had.

Secondly, the protection duties did not eliminate the competition of Japanese mills. While it is true that imports of Japan piecegoods have

fallen, the fall is not such as to afford impetus to indigenous production. It is comparatively small and may be well accounted for by the decreased purchasing power of the masses, the trade depression, the hartals and the picketing activities of the Congress, rather than to the protective effect of the duties

The third reason is the depreciated currency of Japan which gives a great advantage to the Japanese manufacturer over the Indian producer as the yen, now has an Exchange value 15 per cent. lower than what it had in terms of rupees, when both the yen and the rupee were linked to gold. This means that Japan secures an advantage over India to the extent of 15 per cent. for the time being. Besides this Japan's delay of three months in giving off the gold standard gave her a distinct advantage in the matter of her cotton purchases, which the Millowners' Association estimates at two million bales. Even if the advantage of a depreciated yen may prove temporary, it is clear that Japan has at her disposal sufficient cheap raw material to flood Indian markets with cheap goods and oust the indigenous production in her own home market. These advantages, to which must be added the facts that the Japanese textile worker is more efficient than his Indian confreri and Japan knows very few textile disputes and works without due regard for international conventions regulating hours and conditions of work, secure for Japan an economic advantage over India which, if not neutralised by protective measures would jeopardise the very existence of the Industry; what form the protection should take is left to the Tariff Board to recommend, though the Millowners' Association points out the disadvantage of an *valorem* duty.

If relief is to be given, it should be given forthwith, it is no use locking the stable after the steel is stolen. Protection should extend over a fairly long period of time; so that the mills may proceed with reorganisation and with some sense of security.

To-day the question is not so much as to whether the industry needs protection as how to give it and eliminate foreign competition. I request you to wait for some time till the report of Millowners' Association is out to enable you to put before the Tariff Board a lengthy report with perfect statistics. I on my part consider the questionnaire very difficult to be solved hence my proposal to have the copy of report from Association.

(Sd.) B. R. MISTRY,
Manager.

Delhi Piecegoods Association.

Letter No. 277, dated the 16th June, 1932.

ENQUIRY INTO INDIAN COTTON TEXTILE INDUSTRY.

With reference to the Government of India, Commerce Department, Resolution No. 341-T. (150), dated the 9th April, on the above subject, I am directed to give below the views of my Committee on the questions for enquiry.

1. *Claim of the Industry for protection.*—My Committee thinks that the Indian Cotton Textile Industry, being the key industry in India on which a large number of the working population depends for their livelihood, and being still in its infancy as compared with competitors in other countries, should be protected at least to a reasonable extent from the competition of foreign manufacturers, who are more advantageously placed as regards labour conditions, expert knowledge, Government support, etc.

2. *Method and extent of protection.*—In the opinion of my Committee protection should be afforded in the form of custom duty imposed upon textile goods imported into India and my Committee would consider an

import duty of 15 per cent. *ad valorem* all in all a reasonable one for the purpose. This should, of course, include customs duty for revenue purposes, if any. In no case the custom duty should exceed 15 per cent. *ad valorem* after the present abnormal times pass away.

3. *Preference for goods of the United Kingdom.*—My Committee considers that an uniform rate of duty must be charged on all textile goods imported into India irrespective of the fact whether they come from the United Kingdom or any other country, and that no preferential treatment be accorded to any country.

The Madras Trades Association, Madras.

Letter dated the 2nd June, 1932.

TARIFFS.

I have to acknowledge the receipt of communication (Resolution) dated the 9th April, 1932, regarding the above.

This has been put before the Members of this Association and it is considered by all that the Cotton Industry of India has now been sufficiently long established to justify the removal of the tariffs, or at least to considerably reduce same. It is realised that the Conference which is about to begin in Ottawa will fully discuss the question of Inter-trade Agreements between the Colonies and it is hoped that successful results will be obtained. Until that time, however, the following rates of import duties are suggested:—

	Great Britain	Other countries.
	Per cent.	Per cent.
1. Cotton piecegoods	15	25
2. Piecegooods made wholly of articial silk	20	33⅓
3. Piecegoods made partly of artificial silk and cotton	15	25
4. Cotton twist and yarn, handwoven	33⅓	50
5. Cotton twist and yarn, machinewoven	15	25

East African Cotton Merchants' Association, Bombay.

(1) *Letter dated the 22nd June, 1932.*

I am directed by the Committee of the East African Cotton Merchants' Association to submit the following:—

My Committee do not wish to deal with the entire question of protection to the Indian Cotton Industry, but will confine themselves to only one aspect of your enquiry, *viz.*, The Import Duty on Raw Cotton which affects not only the importers of foreign cotton, but also the Indian Textile Industry. My Committee feel that the Import Duty on foreign cotton in general, and in so far as it affects the imports of East African and Egyptian Cotton in particular, is detrimental to the best interests of the Indian Textile Industry.

The Indian Tariff Board (Cotton Textile Industry Enquiry) wrote in 1927 in their unanimous report as under:—

"We cannot but hold that one of the remedies for the present depression is to be found in some alteration in the character of production in Bombay. We consider it is essential that Bombay should utilise to the full natural advantages it possesses in the matter of climate and of its situation in respect of imports of American or African cotton for the production of goods of higher quality than it has done in the past,

that it should devote much less attention than it has done to the production of grey goods, more especially of grey long-cloth and shirtings, and that it should embark on a much larger production of bleached and coloured, printed and dyed goods. In making a recommendation that the Bombay Mills should produce a higher quality of goods, we do not overlook the disadvantages in regard to which those mills in common with all Indian mills, suffer from the lack of suitable raw material. The Indian Central Cotton Committee estimate that of the total production of Indian Cotton only 320,000 bales or 1½ per cent. of the cotton of staple of ⅞th inch, and over are suitable for warp yarn of counts from 30s to 36s with an additional 60,000 bales suitable for Weft yarn of over 36s counts, whereas the total amount of cotton consumed by Indian mills averages slightly over 2 million bales annually."

* * * * *

"We are of opinion that it would be to the advantage of the Bombay Mills Industry to follow the example of the Japanese Industry and to make a more extensive use of African and American cotton in order to enable it to place on the market quality of cloth superior to those it is at present manufacturing. Bombay is specially favourably situated in regard to the import of African cotton though the advantage it has in this respect over Japan, to which in 1923-24 and 1924-25 more than half the imports of East African Cotton into Bombay were re-exported has been materially reduced by the recent inauguration of a direct service between Osaka and Mombasa. The imports of African Cotton into Bombay in the last three years have been 15,805, 18,479 and 68,863 bales respectively, so that there was a marked advance in the use of this cotton in 1925-26. We have not been able to ascertain definitely how large a proportion of the East African cotton imported is taken by the Bombay and Ahmedabad mills respectively, but our enquiries showed that it is probable that Ahmedabad uses more of it than Bombay. It should be mentioned that the East African cotton crop ranks amongst the world's smaller crops though it is increasing with some rapidity, the estimated crop for 1925 being 3,00,000 bales against 96,000 bales in 1921."

The majority of the Tariff Board in fact went even further and recommended a bounty of one anna per lb. or its equivalent, on yarn of 32s and over produced in Indian mills. It is indeed an irony of fate that the Government of India have not only not put the recommendation of the Indian Tariff Board into practice but have come forward with an additional impost of a duty of half anna per lb. on imports of Raw Cotton. In effect this duty acts as a handicap to the diversification of production and the spinning of finer counts recommended by the 1927 Tariff Board as will be seen from the following:—

East African Cotton is a special long staple cotton with staple lengths varying from 1$\frac{1}{16}$ to 1¼ of an inch. It is used by Indian mills so far as we understand for spinning 40s Warp and sometimes for going as high as 50s Warp even. It is admitted that India does not grow any cotton which is equal in staple length or spinning value to East African Cotton. The result is that any tax imposed on its import acts as a tax on production, or a milder form of excise duty for mills who wish to follow the advice of the previous Tariff Board and spin finer counts. The present price of East African Cotton is something like Rs. 215 per candy c.i.f. Bombay. The import duty of half anna per lb. therefore works out to over 11 per cent. of its value and to that extent negatives the benefit of any protection that may be granted.

A case for the abolition of this duty in so far as it relates to East African Cotton may be based on the fact that the East African Cotton Industry is essentially an Indian venture. Not only is the trade in East African Cotton principally in the hand of Indians but Indians own the larger portion of ginneries and press factories in Uganda and Tanganyika. We would here invite a reference to the enclosed pamphlet headed "Import Duty on Raw

Cotton-Blow to Indian Trade in Africa". "The following telegram received by the President of this Association from the President of the Uganda Cotton Association should also be of great interest to your Board in this connection:—

"Uganda Cotton Association sent following telegram Secretary State through Uganda Government. Begins. Uganda Cotton interests in which Indian capital largest portion urge that at Ottawa Conference free entry of East African Cotton into India should be strongly advocated. Ends. Kindly press matter India Government also Ottawa Indian delegates.—President Uganda Cotton Association."

The case for the abolition of Import Duty on East African Cotton may be based, it will be seen, not only on the grounds of Imperial Preference but also on the grounds of what may be called Indian Preference. While the issues connected with Imperial Preference are very controversial, my Committee submit that the case for East African Cotton to be exempted from the Import Duty is not based on this ground, but on the ground that East African Cotton trade is in the hands of Indians abroad. But my Committee realise that your enquiry is not directly connected with this aspect and therefore have based their case mainly on the handicap imposed on the Indian Textile Industry owing to the Import Duty on raw cotton.

I have pleasure in enclosing herewith 6 copies each of two pamphlets "a Representation to the Finance Member against the Import Duty on Raw Cotton (Special Claims of East African Cotton)" and "the Import Duty on Raw Cotton (Blow to Indian Trade in Africa)". I also enclose herewith a table showing the production of cotton in Uganda and Tanganyika, and the imports of same into India for the last 15 years. I trust the facts and figures brought out in these pamphlets will be of particular interest to the Tariff Board, and convince them that a strong case exists for their recommending the abolition of the Import Duty on Raw Cotton in general and a still stronger case exists for their recommending the abolition of the Import Duty on East African and Egyptian Cotton, in the interest of the Indian Cotton Textile Industry.

Enclosure—

Year.	Production in bales of 400 lbs. Uganda.	Targanyika.	Total.	Import in India in running bales.	
1918-19	36,530	...	36,530	Not known.	
1919-20	47,694	...	47,694	Not known.	
1920-21	81,365	7,327	88,692	Not known.	
1921-22	48,290	7,175	55,465	Not known.	
1922-23	88,046	11,434	99,480	51,069	
1923-24	128,604	18,793	147,397	77,932	
1924-25	196,038	21,724	217,762	74,289	
1925-26	180,859	24,280	205,139	88,569	
1926-27	131,728	15,966	147,694	85,988	
1927-28	138,486	32,654	171,440	78,119	
1928-29	204,057	27,785	231,842	107,747	
1929-30	129,969	22,813	152,782	134,533	
1930-31	186,000*	25,000	211,000*	179,473	
1931-32	190,000*	25,000*	215,000*	140,000	Bombay.*
				45,000	Bhavnagar.

N.B.—The figures relating to production are taken from the Empire Cotton Growing Review, July, 1930, and July, 1931. The figures relating to imports into India are obtained from the East India Cotton Association, Ltd., Bombay (page 140, Vol. 12, and relate to cotton years ending 31st August).

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* Our estimates.

(2) Letter dated the 23rd June, 1932, from the East African Cotton Merchants' Association.

With reference to the questionnaire relating to the Tariff Board Enquiry into the Cotton Textile Industry, the Committee of my Association find that they are concerned only with question 12, to which they reply as under:—

Figures of yearly imports of foreign cotton into Bombay have been compiled from the Bombay Chamber of Commerce Returns by the East India Cotton Association and the following table is taken from page 110 of the Bombay Cotton Annual, 1930-31, for your ready reference:—

Yearly Imports of Foreign Cotton into Bombay.

(Bale of 392 lbs. net.)

Year ending 31st August.	East Africans.	Egyptians.	Americans.	Persians.	Total.
1916-17	...	463	68	296	827
1917-18	...	...	2	1,370	1,372
1918-19	...	121	1,265	2,649	4,035
1919-20	...	...	...	2,841	2,841
1920-21	...	2,699	81,105	292	84,096
1921-22	...	2,050	23,058	3,726	28,834
1922-23	51,069	1,421	1,632	5,737	59,859
1923-24	77,932	3,718	2	9,764	91,416
1924-25	74,289	648	9,649	6,904	91,490
1925-26	88,569	638	28,130	5,627	122,964
1926-27	85,988	3,462	379,120	5,719	474,289
1927-28	78,119	2,199	102,910	5,770	188,998
1928-29	107,747	1,636	11,719	1,774	122,876
1929-30	134,533	12,387	15,889	704	163,513
1930-31	179,473	148,947	140,296	1,438	470,332

It will be noticed that imports of foreign cotton have been divided into 4 principal classes, *viz.*, (1) East African, (2) Egyptian, (3) American and (4) Persian. The imports of Persian cotton have been negligible and do not deserve more than passing mention. Persian cotton is in many respects similar to Indian long staple cotton. At its worst it is like Mathias (Kathiawar); at its best it is like Comptahs. Theoretically therefore Persian cotton competes with Indian cotton but the extent of competition is negligible.

To come to the American Imports next, we understand that a considerable proportion of Americans directly competes with Indian long staple cotton. For example, Americans up to 1″ in staple length do compete with long staple Indian cotton like Surat, Navsari and Cambodia. We would however add that all imports of American cotton are not 1″ or less in staple, but some of them like Californians are well over 1″ in staple, and as such do not compete with Indian long staple cotton.

So far as Egyptian and East African Cotton are concerned, it may be said that they do not compete with any Indian long staple cotton at all, because similar cotton does not grow in India. East African cotton is a special long staple cotton with staple lengths varying from $1\frac{1}{16}$ of an inch to $1\frac{1}{4}$ of an inch and is used by Indian Mills for spinning as a rule 40s. There is no variety of Indian cotton which has the same spinning qualities, or which can be used for the same purposes as East African Cotton. Even the longest staple Indian cotton, *viz.*, 289F does not have the same spinning value as East African Cotton and is not in fact available in anything like the quantity needed. The commercial crop of Indian 289F is estimated at 8,000 bales only, whereas the Indian requirements of similar cotton run into lacs of bales.

Egyptian cotton also does not compete with Indian long staple cotton as the following statement of the staple lengths of various varieties of Egyptians imported will show:—

Description of Different Varieties of Egyptian Cotton.

Varieties.	Staple lengths. Inch.
Uppers or Achmuni	$1\frac{1}{8}$
Zagora	$1\frac{3}{16}$
Pillion	$1\frac{5}{16}$
Nahda	$1\frac{7}{16}$
Sakellaridis	$1\frac{1}{2}$
Maarad	$1\frac{3}{4}$
White	$1\frac{7}{16}$
Fuadi	$1\frac{7}{16}$

The answer to the second part of question 12 can readily be judged from the foregoing. The only imports which can come into direct competition with Indian long staple cotton are the medium staple Americans. To the extent therefore that the price of imported American cotton has been raised by the present Import Duty the grower of Indian long staple cotton may be said to have been helped. An analysis of the Indian cotton crop from the point of view of staple lengths will show that only a small fraction of the Indian crop can be said to be long staple in the sense that it comes into direct competition with imported American cotton. To make our remarks more clear we would say that the grower of Surats, Cambodias, Rajpipla and partly of Comptahs and of very small proportion of Hyderabad-Gaorani and of 289F has benefitted by the Import Duty on American cotton. But there has been no benefit to the growers of the vast quantities of Oomras, Central Provinces, Punjab, Punjab Americans, United Provinces, Central India, etc. We do not say that the grower of the ordinary Punjab American will be benefitted by the Import Duty. The vast bulk of the Punjab American crop consists of the 4F variety and is seldom marketed pure. The bulk of it is not used in Indian mills, but exported principally to Japan and Liverpool from Karachi. We consider this fact the most convincing proof that the grower of Punjab American is not benefitted by the Import Duty. In connection with our remarks in this paragraph we would like again to emphasise that any benefit which accrues to the cultivators of some parts of India, accrues from the import duty on *American cotton*. The duty levied on African and Egyptian cotton does not help any portion of the growers in India, inasmuch as African and Egyptian cotton do not compete with Indian cotton.

In this connection we would add a word of caution. The apparent advantages of the Import Duty on Raw Cotton have been exaggerated by the fact that its imposition has coincided with a phenomenally short Indian crop. With a normal Indian crop more than half of it will have to be exported. The price of the exportable surplus will naturally determine the price of the entire crop and the price of the exportable surplus will entirely depend on world conditions, and be governed by the price of competing foreign cotton, in the world's consuming markets. In this connection the Import Duty on cotton in India will not enter into the calculation of the world's buyers at all. Under normal conditions therefore the bulk of the Indian cultivators of cotton will not benefit by the Import Duty. The only cultivators who will benefit in any case will be the growers of only that portion of Indian long staple cotton for which the Indian demand exceeds the Indian supply. Such cotton will not have to find an export outlet. In this category we would include only Cambodia and Surat.

We venture therefore to recommend that the Import Duty may be abolished in any case in so far as Egyptian and East African are concerned, as the duty on these growths harms the Indian Textile Industry and does not help the Indian cultivators.

The Japanese Cotton Shippers' Association of Bombay.

Letter dated the 22nd July, 1932.

With reference to the questionnaire relating to Tariff Board Enquiry into the Cotton Textile Industry, we beg to submit to you herewith our answers to matters we are directly acquainted with as follows:—

Question No. 11.—(*a*) In the year 1931-32 (ending 31st March) Indian mill production of yarn is increased by 15 per cent. in weight and piece-goods by 24 per cent. in yardage as compared with 1929-30, while consumption of Indian cotton is increased only by 2½ per cent. To meet the increase in production, foreign cotton (American, African and Egyptian) was imported. This fact indicates that there is little prospect of increasing the domestic consumption of Indian cotton notwithstanding the increase of production by Indian mills.

India produces more cotton than her requirement. The statistics given below show the extent of surplus of Indian cotton. As stated above, the domestic consumption of Indian cotton is limited, but the outside demand for it is very elastic and can easily absorb big amount of supply.

Needless to say, the cotton is an international commercial commodity, the price of which is determined by the economic principle of Demand and Supply, and as a matter of fact the price of American cotton leads and dominates the world's cotton markets. On this principle the surplus of Indian cotton is taken by foreign countries by the parity with the American cotton. Of course the seasonal differences in the parity are natural according to the vicissitudes of Demand and Supply of the same.

Year ending 31st August.	(1) Indian cotton consumed in Indian Mills.	(2) Indian cotton exported to various countries.	Percentage (2) against (1).	(3) Indian cotton exported to Japan.	Percentage (3) against (1).
	Bales	Bales		Bales.	
1926-27	2,158,000	3,188,000	147·7	1,842,000	85·3
1927-28	1,981,000	2,686,000	135·4	1,235,000	62·4
1928-29	1,764,000	3,712,000	210·4	1,610,000	91·3
1929-30	2,248,000	4,070,000	181·0	1,640,000	73·0
1930-31	2,266,000	3,926,000	173·3	1,686,000	74·4

The statement given above shows the importance of export of Indian cotton, in which Japan has prominent position, and her annual offtake during the last five years ranges from 62·4 per cent. to 91·3 per cent. of the total Indian mill consumption of Indian cotton. The considerably reduced offtake of Indian cotton from Japan in the current cotton season is due to shortage of the Indian crop and cheapness of American cotton. We are sure that Japan will buy as before as soon as the prices are brought to a normal parity with American cotton.

For reasons stated above, we can safely say that the exportable surplus determines the price of the whole Indian cotton. Suppose there may be some decline in the output of the Indian mills, resulting in less consumption of the Indian cotton, the more surplus can easily be absorbed by outside demand by a fair price. On the other hand when there is any decline in the foreign demand for Indian cotton, the quantity so reduced will become the net surplus and will inevitably affect the price of Indian cotton—in other words, the Indian cultivators. Considering Japan's position in Indian cotton trade, we dare say that her purchasing power is a greater factor to guard the interests of Indian cotton growers.

(b) Assuming that the production of finer cloth in Indian mills encourages the growth of long staple cotton in India, it is problematical if it would prove beneficial to the agriculturists, for climatic reasons, to replace the short staple cotton for longer one. A striking feature in this respect is that during the last few years, the world consumption of Indian cotton has shown a remarkable increase, while all the other growths have witnessed decline in consumption. General decline in purchasing power has resulted in increased demand for comparatively cheaper grades and Indian cotton has been in greater demand. Recently, much attention is being paid by the Agricultural Department and the Indian Central Cotton Committee, and they are endeavouring practically to increase the cultivation of long staple cotton in India. But the extent of such increase is so far very small, while the demands for the staple cotton by the Indian mills are rapidly increasing. At present India is much short of the self-supply of long staple cotton. This fact is more than enough for the encouragement of the growth of long staple cotton, but as a matter of fact no satisfactory result is brought thereto. Reviewing this question from the other side, we come to the conclusion that decline to some extent in the output of the Indian mills will hardly affect the growth of cotton under discussion.

N.B.—The assumption that the farmers realised a lower net price for cotton exported than for the cotton sold in India cannot be substantiated, as cotton is sold in the open market. When a commodity is sold in free competition how can a buyer purchase it simply on the ground that it is for export, for which no bounty or anything of the kind is given?

Question No. 12.—Imports of foreign cotton are expected to reach about 600,000 bales of 400 lbs. during the year 1931-32. Of these roughly 200,000 bales are considered to be of the same quality as the Indian long staple cotton. Hence, the present Import Duty on raw cotton helps the Indian cotton cultivators by maintaining, if not improving, the prices of long staple cotton. Whether it is economically advantageous to cultivate long staple cotton or not remains to be seen.

Association for the Development of Swadeshi Industries, Delhi.

Letter dated the 13th July, 1932.

With reference to the enquiry before you whether protection should be given to the Indian Textile Industry against other foreign countries, I have pleasure in submitting herewith, on behalf of this Association, a written statement setting forth the reasons why protection should be given. This Association have tried to submit a comprehensive statement in as brief a compass as possible and they trust it will help the Board to form an opinion and to arrive at a proper solution of the difficulties of the industry.

This Association recommend that at least 100 per cent. of duty should be imposed on all imported foreign cotton piecegoods, yarn and hosiery at least for a period of ten years, and further this Association submit that this would be both in the interest of India and England.

Enclosure.

A case for protection to textile industry.

India is the second largest cotton producing country of the world and is closely associated with Great Britain which holds a premier position in the manufacture of textile machinery and practically enjoys a world monopoly in this line. It is therefore not too much to expect that India should be able to manufacture all the cotton piecegoods she needs for herself. Not only this, she should be able to make substantial exports to her neighbours less favourably situated. We have a surplus of cheap labour which can be

easily recruited without detriment to any other industry. The climate of many parts of our country is admirably suited for cotton spinning and weaving. It is therefore very strange that we should be obliged to import cotton piecegoods from abroad to meet our requirements.

The Indian Textile Industry is at present the most important of our organised industries. It is responsible for a considerable portion of our economic prosperity and is providing wholesome and suitable employment to our capital and labour. It provides much needed employment to our labouring classes and has come as a Godsend to certain sections of our labouring classes, whom circumstances have reduced to dire straits. The benefit derived by our agriculturist population, directly or indirectly, is by no means small. Cloth is a necessity and ranks next to food in the poor man's budget. The state of a country, depending on others for her clothing, should her sources of supply be cut off, can only be imagined. In fact every self-respecting country endowed with a ready supply of suitable raw material should be able to clothe herself without outside help.

Ever since the introduction in 1851 of spinning and weaving as an organised industry in India, our enterprise in these lines has been making a steady progress, though the rate of progress can by no means be considered satisfactory.

Table 1 gives statistics for the years 1900 and 1930 and clearly shows that India's percentage increased in the number of spindles and looms within the last 30 years. It is about 1/5th that of Japan; *i.e.*, while Japan has increased her spindles 4½ times and her looms 14½ times, we have only succeeded in increasing our spindles by 82 per cent. and our looms by 346 per cent. With a population of 35 crores we are running only 91 lakhs of spindles and 1¾ lakhs of looms while United States of America (which is a cotton producing country like India) has 357 lakhs of spindles and 7¼ lakhs of looms for a population of 12 crores only. It is interesting to note that while America's cotton production is less than 3 times that of India (India 52,60,000 bales, United States of America 1,45,14,000 bales in 1929-30) her cotton industry consumes about 3½ times as much cotton. Thus it is clear that India has yet to reach the stage when she may be considered to have attained her full status among the world's textile producers.

Being a large cotton producing country it is natural that we should export our surplus stock, but the very fact that we are importing cotton piecegoods and yarns from non-cotton producing countries shows clearly that we could easily utilise some of the cotton we are exporting.

Table 2 contains some interesting information about the state of the cotton industry in a few countries. The figures given show that our absorption of cotton per crore of population is far below the average and is very unsatisfactory indeed. Figures for United States, Russia, Brazil and Mexico form humiliating reading and gives a vivid idea of India's backwardness in this sphere.

Our imports of cotton piecegoods are shown in Tables 3, 4 and 5. Table 6 gives figures of the manufacture of piecegoods in India. From these it would appear that even now we are capable of meeting our demand for greys and unbleached goods. If machinery already installed in India is enabled to run full time and to work full capacity (which it is not doing at present), this part of our imports can be stopped without any difficulty. The case of whites and bleached goods is slightly different and in the past it has been the fashion of those interested in the foreign piecegoods trade to say that India is incapable of meeting her demand in this line but any unprejudiced observer of our textile markets will be able to notice that due attention is now being paid to the production of goods suitable for bleaching and supplying bleached goods to the consumers. Hand bleaching has proved quite a success in India and although our mills cannot at present boast of a large number of bleaching plants, hand bleaching has generally been adopted. With the attention that is

being paid to the production of white and bleached goods at the present moment we may be sure of being able to dispense with our imports of these lines.

Indian millowners are now turning their attention to the manufacture of coloured, printed and dyed styles. Although they are seriously handicapped by foreign competition, the production of these lines cannot yet be considered to have achieved the same high degree of efficiency in India as has been done in other countries. If encouraged, our millowners will equip themselves with all the plant they need and will render us independent in this line also. The chief obstacle in this line is the competition of cheap Japanese Taffetas and printed styles and the high cost and duty on dyestuffs and chemicals.

Tables 7 and 8 give comparative figures for the imports and the production of yarn in India by counts. From these it would appear that in lower counts we can dispense with our imports altogether. For finer counts, say above 30, our production has multiplied 2½ times within the past two years and is now 10 times of what it was before the war. Our imports have also been showing a steady decrease and if things continue to progress at the present rate in the next two or three years should be able to render these imports unnecessary. Though our production of twists and doubles is still very restricted this branch of our spinning industry has recently received considerable attention and installations of twisting and doubling plant of the most up-to-date types have recently been completed in several mills.

Table 9 gives the percentage distribution of our imports of yarn by countries and it is significant to note that conditions obtaining before the War have now been completely altered. When United Kingdom has lost her share to China and Japan in such a short period of time the plight of our Indian industry in the face of such determined competition may well be imagined. Before the War China used to import yarn from us (*vide* Table 10), but her imports are now 200th part of what they were while her exports to us are 40 per cent. of our total imports of yarns. If a country like China can improve her cotton industry to such an extent that from being our importer of yarn she has become our exporter, there is no reason why India should not be able to do the same if an atmosphere congenial to the growth of the industry is provided and she is protected against life-destroying influence of foreign competition. India's vast village dwelling population is admirably suited for giving a cottage industry form to the textile industry and that such is actually the case is a matter of common knowledge. Our handlooms weave a large quantity of cloth and though they are consuming both mill spun and hand spun yarn, a study of their mill yarn consumption brings out interesting results. Though actual figures are not available, it may be assumed that if we subtract from the total quantity of yarn available for consumption in India the quantity of yarn consumed by Indian mills we get a fairly accurate idea of the quantity of mill yarn utilised by our handlooms.

Table 11 is self-explanatory and gives the yardage of cloth produced on handlooms and by our mills. Though the progress of our handloom industry has not been as high as that of our mill industry yet it has been making a steady progress. Village uplift and rural education work has recently been undertaken by private and Government agencies and we may confidently expect that much progress will be made in the near future. Handloom industry has the added advantage of providing employment in the very homes of the labourers and does not disorganise the economic balance of our village society. It may be mentioned here that a small amount of yarn considered as having been utilised by handlooms goes into the making of hosiery, cordage, twine, and sewing threads, but this amount is not large and even then the largest portion goes into the manufacture of hosiery which after all serves the same purpose as cloth.

Handloom weaving is learned very easily by the village folk and at a period when additional income is a distinct relief and proper utilisation

of the enforced idleness of our agricultural population during half the year an economic necessity. This industry deserves special attention and it is gratifying that it is meeting with adequate response. The question of hand spun and hand woven Khadi has recently received much attention and a few private organisations of a charitable nature are doing yeoman service to its cause. Though it is impossible to estimate the production of Shudh Khadi with any degree of accuracy, it is interesting to note that last year All-India Spinners' Association handled about 14 million yards of cloth through its branches; and when this is the performance of one Association the sum total of the efforts of innumerable weavers working privately must be very very large indeed.

When discussing the textile industry, we cannot afford to omit consideration of cotton hosiery trade as it consumes a large amount of cotton yarn and stands or falls with the textile industry. It is estimated that our imports of cotton hosiery consist of approximately one million dozen of socks and 3 million dozen of undershirts. Our imports were valued at 1 crore 44 lakhs in 1929-30, 88 lakhs in 1930-31. Japan was the principal exporter and was responsible for about 86 per cent., United Kingdom's share being almost negligible. The manufacture of hosiery in India has been undertaken by several large and well financed mills and their average annual production may be taken at about half a million dozen. Their output consists almost entirely of undershirts. Socks are largely made by a very large number of small scale makers who work either on the cottage industry scale or as established organised industries, and who abound in almost all the provinces. This is an industry which when worked on a cottage industry scale provides employment for the city dwelling middle classes and is very admirably suited for their special needs. The industry has made rapid strides in the Punjab and United Provinces so much so that hand worked knitting machines of very satisfactory type are being made locally at several places. Small scale industries are particularly liable to dislocation and collapse if exposed to the chilling influence of organised dumping or unfair competition, and this industry is no exception. Cheaper type of socks from Japan and China hit our local production very severely as our industry lacks the special facility of cheap waste yarn that our oversea competitors enjoy. To save our local industry from slow strangulations it is necessary that the import of socks be discouraged. There is enough scope for expansion in the undershirts industry too but it needs a larger capital. There is no doubt that the necessary capital will be forthcoming if this industry is assured of protection against foreign aggression.

From an unprejudiced consideration of the circumstances detailed above it is easy to see that India is to-day in a position to meet all her foreign piecegoods requirements and has no need to make any imports at all. It is however very unfortunate that due to the encroachment of foreign manufacturers on our markets our spindles and looms are lying idle and find no scope for full capacity working.

We have been carrying on a certain amount of export trade with our neighbours but there is a great danger of our losing this trade altogether as eyes of those who are making inroads in our markets are being turned to this direction and it is almost sure that very shortly we will be obliged to find market for that portion of our products which was normally exported.

When England had gone off the gold standard, the formidable competition by Japan was only temporarily relieved; but since Japan has also gone off the gold standard, the competition has become all the more keen. If this state of affairs is allowed to continue we are sure the growing industries in India which are yet in their infancy shall be choked.

Some of our mills are obliged to restrict their output or some have closed down altogether and this fact alone is enough to show that though a large number of our mills continue to work they are not quite happy and continue only because either they have no way out of it or else are pinning

their faith in the future and are hoping something better will turn up some day. Capital has become very shy and cotton mill investments have lost much of their charm for the investing public.

The millowners must however be given credit for their perseverance and enterprise. Faced with prospects not exactly rosy they are not allowing grass to grow under their feet and are busy expanding the scope of their activities by installing new machinery and are trying to make the textile industry of India more and more self-contained.

Our mills are to-day face to face with a situation the like of which had not been met for a long time. They are left to fight their battle alone and may find themselves compelled to acknowledge defeat at the hands of their foreign rivals. If a catastrophe like this is not averted by timely action India's loss will be incalculable, nay our enterprise will receive a set-back in every sphere of our industrial activity.

Table No. 1.—*Progress of Cotton Industry of a few Textile Producing Countries.*

Country.	Spindles. 1900.	Spindles. 1930.	Spindles. Increase per cent.	Looms. 1900.	Looms. 1930.	Looms. Increase per cent.
United States of America	19,472,232	35,663,000	83	439,465	720,177	64
Great Britain	45,600,000	57,712,000	26	648,420	703,878	8
Germany	8,031,400	11,260,000	40	211,818	250,000	18
Japan	1,274,000	6,836,516	436	5,045	77,898	1,441
India	4,945,783	9,124,768	84	40,124	179,250	346

Table No. 2.—*The World's Cotton Mills (Annual Cotton Handbook).*

Country.	Population in millions.	Mills.	Spindles.	Looms.	Consumption of bales of cotton.	Consumption of cotton per crore of population. (lakh bales)
United Kingdom	..	1,734	57,711,635	703,878	2,621,731	...
United States of America	117	1,577	35,662,656	720,177	7,106,257	6·2
Germany	60	300	11,260,000	250,000	1,795,949	3·0
Switzerland	4	64	1,531,544	26,872	103,094	2·7
Italy	40	700	5,450,000	150,000	1,050,000	2·6
Belgium	7½	228	2,156,500	54,385	345,000	4·0
Holland	7	107	1,168,000	54,300	180,000	2·5
France	40	595	10,200,000	200,000	1,215,000	3·1
Spain	21	400	2,100,000	75,000	400,000	1·8
Russia	98	203	6,217,000	159,100	929,174	0·9
China	443	120	3,664,120	29,582	2,179,739	0·5
Japan	77	258	6,836,516	77,898	2,951,279	3·8
Brazil	30	351	2,552,079	79,249	453,985	1·5
Mexico	14	117	791,613	29,992	160,000	1·2
India	351	334	9,124,768	179,250	2,161,166	0·6
Other countries	...	688	10,146,579	245,011	1,945,168	...
Total	...	7,776	166,562,810	3,034,694	25,610,405	...

TABLES NOS. 3 AND 4.—*Varieties of Piecegoods imported into India.**

(In million yards.)

	1913-14.	1928-29.	1929-30.	1930-31.
Grey unbleached—				
Dhooties, saries and scarves	806·1	486·7	501·1	171·0
Jaconets, madapollams, mulls, etc. . .	150·4	78·9	53·0	19·3
Longcloth and shirtings	545·4	252·0	340·1	166·3
Sheetings	0·2	6·5	14·7	4·1
Drills and jeans	21·3	11·8	13·4	2·4
Other sorts	10·8	2·7	3·2	1·9
Total .	1,534·2	838·6	925·5	365·0
White bleached—				
Dhooties, saries and scarves	104·3	43·1	45·3	15·4
Jaconets, madapollams and mulls, etc. .	307·9	258·0	219·7	135·4
Longcloth and shirtings	115·3	123·0	104·1	71·9
Nainsooks	214·7	76·6	53·1	25·9
Drills and jeans	5·7	5·7	6·6	3·8
Checks, spots and stripes	16·1	12·7	12·0	3·7
Twills	8·3	17·7	16·8	7·7
Other sorts	31·0	17·2	15·8	7·8
Total	793·3	554·0	473·6	271·

TABLE NO. 5.—*Imports of Piecegoods.*

(In million yards.)

	3-14.	1928-29.	1929-30.	1930-31.
Coloured, printed and dyed—				
Dhooties, saries and scarves	115·2	36·3	33·0	19·1
Cambrics, etc.	113·6	49·7	43·5	20·5
Shirtings	152·6	95·0	105·6	54·7
Prints and chintz . . .	209·7	75·0	61·3	33·7
Drills and jeans . . .	30·0	57·9	86·6	33·3
Checks, spots and stripes	19·7	22·4	26·2	12·5
Twills	31·4	47·9	36·6	16·0
Other sorts	159·6	122·7	90·7	55·9
Total	831·8	506·9	483·5	245·

TABLE No. 6.—*Production of Cotton Piecegoods of Indian Mills.*

(In million yards.)

	1928-29.	1929-30.	1930-31.
Greys and bleached piecegoods—			
Chadars	56·7	66·0	53·9
Dhooties	564·1	776·0	831·4
Drills and jeans	76·3	100·3	80·7
Cambrics and lawns	4·6	3·6	28·8
Printers	22·5	19·4	19·1
Shirtings and longcloths	474·2	585·2	642·2
Twill cloth, domestics and shirtings	75·5	90·7	121·9
Tent cloth	6·9	7·6	8·7
Khadi, dungri and khaddar	93·7	124·6	175·2
Other sorts	35·0	41·3	41·3
Total	1,409·6	1,814·9	2,003·5
Coloured piecegoods	483·7	604·1	557·6
Grand Total	1,893·3	2,429·0	2,561·1

TABLE No. 7.—*Cotton Yarn imported into India.*

(In thousand lbs.)

	1913-14.	1928-29.	1929-30.	1930-31.
Cotton twist and yarns—				
Nos. 1-20	1,254	1,998	1,047	454
21-25	896	548	290	251
26-30	3,686	223	395	227
31-40	23,657	19,937	20,050	14,755
Above 40	7,859	9,331	9,013	4,273
Others	6,819*	12,629*	13,081*	9,180*
Total	44,171	43,766	43,882	29,140

* Twofolds.

Table No. 8.—*Statement of Indian Mill Production of Cotton Yarn in India.*

(In 1,000 lbs.)

	1913-14.	1928-29.	1929-30.	1930-31.
Cotton twist and yarns—				
Nos. 1-20 . .	492,693	382,024	493,382	513,739
21-25 . .	123,995	140,175	181,245	166,110
26-30 . .	42,990	72,838	90,579	93,345
31-40 . .	19,712	37,488	46,365	60,747
Above 40 . .	2,699	10,029	15,279	27,311
Others . .	679*	5,742*	6,710*	5,792*
Total .	682,777	648,296	833,560	867,045

* Wastes, etc. No twofolds are made in India.

Table No. 9.—*Statement showing the source of import of Twists and Yarns.*

(Percentage.)

Country.	1913-14.	1928-29.	1929-30.	1930-31.
United Kingdom	86	53	46	35
Japan	2	17	25	24
China (Hong-Kong)	...	26	24	40
Other countries	12	14	5	1
Total . .	100	100	100	100

Table No. 10.—*Exports of Cotton Twists and Yarns from India.*

(1,000 lbs.—T. Review, 216.)

Country.	Pre-war average.	1928-29.	1929-30.	1930-31.
China	169,953	1,962	795	880
Egypt	2,183	4,168	4,588	3,981
Straits Settlements . . .	4,411	1,132	928	516
Persia	2,030	3,161	4,187	4,464
Siam	305	1,849	1,697	1,577
United Kingdom . . .	683	262	156	219
Arabia (other than Muskat) .	144	80	119	202
Other countries	13,135	11,705	12,100	11,634
Total .	192,844	24,319	24,570	34,473

TABLE No. 11-A.—*Statement showing Yarn available for consumption in India.*

(In million lbs.)

Year.	Indian Mill Production.	Imports.	Exports by land and sea.	Yarn available for consumption in India.
1900-01	353	34·8	126·8	261
1901-02	573	38·3	285·1	326
1902-03	576	33·7	261·1	349
1903-04	579	28·0	264·9	341
1904-05	578	30·6	260·9	348
1905-06	681	45·8	309·9	417
1906-07	654	37·7	256·6	435
1907-08	638	37·3	230·3	445
1908-09	657	41·5	248·8	450
1909-10	627	40·3	239·1	428
1910-11	610	32·5	196·1	446
1911-12	625	42·0	168·0	499
1912-13	688	50·0	224·3	514
1913-14	682	40·2	215·2	511
1914-15	652	42·9	151·7	543
1915-16	782	40·4	176·0	586
1916-17	781	29·5	184·2	526
1917-18	660	19·4	136·5	543
1918-19	615	38·8	78·8	574
1919-20	636	15·8	167·7	483
1920-21	660	47·3	92·2	615
1921-22	693	57·1	91·7	657·5
1922-23	706	59·3	69·[illegible]	697·3
1923-24	617	44·6	51·4	610·2
1924-25	719	55·9	51·0	723·9
1925-26	686·4	51·7	44·3*	693·8
1926-27	807·8	49·4	37·6*	818·9
1927-28	808·9	52·3	31·0*	830·2
1928-29	684·2	43·7	24·3	667·6
1929-30	833·5	43·8	20·6	852·7
1930-31	867·0	29·1	34·4	861·7

*Doubtful.

TABLE No. 11-B.—*Yarn consumed and Cloth made in India.*

Year.	Cotton cloth manufactured in India. In million lbs.	Mill Consumption of yarn (100 lbs.* yarn gives 112 lbs. cloth).	Yarn available from handlooms. In million lbs.	Cloth produced on handlooms. In million yds.	Cotton cloth manufactured in Indian Mills. In million yds.
1900-01 . .	99	88	173	692	422
1901-02 . .	120	106	220	880	511
1902-03 . .	123	109	240	960	524
1903-04 . .	138	123	218	872	589
1904-05 . .	159	141	207	828	678
1905-06 . .	164	146	271	1,084	700
1906-07 . .	166	148	287	1,148	708
1907-08 . .	189	168	277	1,108	808
1908-09 . .	192	171	279	1,116	824
1909-10 . .	229	204	224	896	963
1910-11 . .	246	219	227	908	1,043
1911-12 . .	267	238	261	1,044	1,136
1912-13 . .	285	254	260	1,040	1,220
1913-14 . .	274	244	267	1,068	1,164
1914-15 . .	277	247	296	1,184	1,136
1915-16 . .	352	314	272	1,048	1,441
1916-17 . .	378	322	204	816	1,578
1917-18 . .	381	340	203	812	1,614
1918-19 . .	350	312	262	1,048	1,451
1919-20 . .	384	342	141	564	1,640
1920-21 . .	367	328	287	1,148	1,581
1921-22 . .	403	360	297·5	1,190	1,732
1922-23 . .	405	362	335·3	1,341	1,725
1923-24 . .	401	359	251·2	1,005	1,970
1925-26 . .	498	445	248·8	995	1,951
1926-27 . .	539	481	337·9	1,352	2,259
1927-28 . .	568	501	329·2	1,317	2,357
1928-29 . .	445	400	267·6	1,970	1,893
1929-30 . .	562	500	352·7	1,411	2,429
1930-31 . .	590	527	334·7	1,339	2,561

* NOTE.—100 lbs. of yarn are taken to produce 112 lbs. of cloth. This figure allows for losses during manufacture and is based on the authority of the Indian Industrial Commission, 1918.

Handloom cloth is taken to weigh ¼ lb. per yard.

Japan and Shanghai Silk Merchants' Association, Bombay.

Letter dated the 15th July, 1932.

Re PROTECTION TO THE INDIAN TEXTILE INDUSTRY.

On behalf of my Association, I beg to bring the following facts to your Board's notice.

My Association is composed of members who import on a large scale from China and Japan, piecegoods made of silk, artificial silk, silk and artificial silk, as well as cotton mixtures.

An attempt has been made from various interested parties to show that the artificial silk goods are competing with the cotton textiles. But this is misleading. As our members are only importers of these goods, I do not propose to enter into a discussion of the technical questions embodied in your questionnaire.

In my Association's opinion, the present tariffs are quite adequate to safeguard the indigenous textile industry, if the mills are managed properly without any kind of waste or leakage. Even if the duty on artificial silks is increased, it would absolutely ruin the entire trade, without any help to the ill-managed indigenous cotton industry. It would, moreover, be an unnecessary burden on poor consumers and would involve a heavy loss to the Indian Government in customs revenues, income-tax and super-tax. The revenue of the different ports like Bombay, Calcutta, Madras and Karachi will simultaneously suffer heavily. What is most needed under the present circumstances is efficient management, skilled labour staunch economy, proper working capital, less overhead charges, and retrenchment in all departments. These alone and not indiscriminate protection, could save the textile industry. Before considering the question of further protection, the Government must insist on an efficient management of the mills. The latter if properly carried out, will render further protection absolutely unnecessary. I may further point out that the general defects incidental to the existing managing agency system are also responsible for the present state of the mill industry in Bombay. It is not in our opinion a sound policy to resort to measures, which affect other industries, in the hope of improving the state of the cotton industry, without having these inherent defects in the mill industry remedied.

Whether artificial silk fabrics really compete directly with cotton piecegoods is a matter of contention. Merely because they are at present cheap, it should not be assumed that they prevent the consumption of cotton. If the consumption of any goods is adversely affected, since the introduction of these goods, it is silk piecegoods. The import of several varieties of silk piecegoods has been totally stopped and their place is taken by similar varieties of artificial goods. Besides, if the different varieties of artificial goods are closely examined, it will be found that they resemble or rather are directly copied from those of pure silk. The principal aim is to increase consumption by replacing high priced silk goods by the cheaper imitation goods, and reintroducing the latter in place of inferior types of silk goods, whose imports have totally ceased due to exorbitant duties, in some cases nearly 100 per cent. This aim has met with complete success, inasmuch as the consumption has increased enormously. Besides the constantly expanding pure silk piecegoods market has met with a severe check. It is well known that the taste for real silk garments was constantly growing among the people of India, as was evident from the statistics of annual imports, but since the introduction of artificial goods, this tendency has been checked and the imports show a slight decrease. I add slight, because having regard to the low rates ruling at present for pure silk goods, the imports under ordinary conditions existing before the introduction of artificial goods, should have been doubled if not trebled.

From this it is evident that artificial silk goods are not meant to replace cotton. In several cases they have replaced silk and in almost all cases inferior kinds which were beyond the means of poor consumers on account of prohibitive duties due to the levy of tariffs on weight. These goods have made it easier for the poor to wear, at a nominal cost, garments resembling silk which are in no way inferior in durability to the real silk.

I hope your Board will carefully consider these points, which I have advanced on behalf of my Association. On a consideration of all the facts, I am confident, your Board will turn down the proposal for increasing the duties beyond the existing 50 per cent., which are more than adequate for the purposes of protection.

The Japanese Cotton Piecegoods & Yarn Importers' Association, Bombay.

Letter dated the 22nd July, 1932.

With reference to the questionnaire relating to Tariff Board Enquiry into the Cotton Textile Industry, we beg to submit you herewith our answers to matters we are directly acquainted as follows:—

1. (v) During the last three years, imports of Dhoties from United Kingdom have decreased considerably, while the production of Indian mills have increased substantially, noticeably in finer goods. Therefore, it is impossible to say that overlapping is restricted to medium counts only. It may be pointed out here also that in Table XLI on page 85 of Mr. Hardy's Report, costs of various qualities of grey Dhoties (Manchester pieces) are given thus:—

All 44" × 10yds. Reed and Pick 17 × 14 with ½ inch coloured borders.

Counts of Yarn.	Weight. lb. oz.	Price (in pence)
32s—40s	1 14	33
32s—50s	1 8	38
38s—38s	1 11	42
40s—40s	1 9	36½
40s—50s	1 6	37
60s—60s	1 1½	32½
60s—80s	0 15½	31½
60s—100s	0 15	41½
70s—110s	0 13?	41½

From the above, it is quite clear that his theory of indirect competition due to cheaper prices of finer goods as against coarser goods of the same area should apply to practically all of Dhoties from United Kingdom instead of medium counts only.

(vi) The conclusion that imports from Japan consist almost entirely of goods woven from yarns of counts 30s and above is open to dispute. On page 49 of his report it is remarked that if Japan is making headway, it is mainly in respect of the *finer qualities of Shirting Dhoties*, which can be taken as evidence of competition between Japanese goods and Lancashire rather than Indian goods.

(vii) The imports of Japanese heavy shirtings are decreasing steadily, being unable to stand the competition of Indian goods.

(viii) We are of the same opinion.

(ix) To the extent of increase in Indian production of finer goods since 1930, the conclusion should be modified.

(x) Lancashire no longer monopolizes the trade in White goods, as Japanese goods are now imported in an increasing quantity, though to the extent only filling a part of the gap created by rather sharp drop in the supply of Lancashire goods without any injuries to the Indian industry.

(xi) In view of the increase of finer goods and diversification in production of Indian mills, it is difficult to prove that there is no indirect competition between the Fancy Prints and Chintz from United Kingdom and Indian goods.

(xii) We are of the same opinion.

(xiii) Statistics indicate that since 1930 imports of these classes have shrinked to negligible quantity and some of them have ceased to come entirely. In other words Japanese goods cannot compete with Indian goods.

(xiv) Statistics indicate that since 1930, the export of Indian Coloured goods have shown some decrease due apparently to better prices realized in home market resulting from higher import duty and decrease in import of foreign goods.

(xv) It is well nigh impossible to obtain direct evidence to prove competition between imported goods and Indian goods as is fully explained by Mr. Hardy in his report, para. 19, under the heading "Indirect Evidence—General". Therefore, to say that there is very little direct competition in coloured goods between United Kingdom and India, while Japan is the only serious competitor, is not fair, inasmuch as no convincing case has been established in para. 17. Production of fine Indian Coloured goods are increasing, whereas imports of Japanese goods are stationary. This shows that Japanese competition is not so severe as imagined.

(xvi) This observation confirms the fact that the prices of Japanese goods are always in line with the fluctuations of raw cotton prices, no manipulation being made to force sacrifice sales or dumping, as if often sought to be made out. Incidentally, it may be added here that para. 34 (pages 67-68) of the Tariff Board Report, 1927, concludes by saying, *inter alia*, that the charge of dumping cannot be substantiated.

(xvii) While Mr. Hardy is apologetic about the danger of generalization from two isolated facts, he jumps at the conclusion by further inference from altogether arbitrary instances. No case can be established by comparing prices of cloth disregarding the kind of weave, counts of yarn and finish, etc. He is apparently confusing the idea of competition with the difficulty of production. It is not at all convincing to generalize that Japan's advantage or competition increases with prices, for in many cases, the higher the prices, the smaller the competition.

(xviii) This view may hold good when cloth of the same kind is concerned, but not so always, as for instance, Mulls cannot be substituted by Drills.

(xix) Every kind of cloth has its respective use and the effect of lower price of cloth of entirely different category will be felt slowly if at all. Moreover, the manufacturers are keenly alive to select the most profitable lines and will not continue production of cloth with too small a margin, hence disparity in prices will be of temporary nature.

(xx) & (xxi) We agree with this opinion.

9 & 10. In point of efficiency and cost of production, hand spinning and weaving cannot stand the competition of spinning and weaving mills. It is therefore a difficult question to reconcile the conflicting interest of these industries. In Japan hand spinning gave way to machine spinning some 50 years ago, and hand weaving has gradually lost its economic significance due to development of weaving industry. It is worthy of note that handloom weavers were seeking employment in weaving mills in Central Provinces, as reported by the Central Provinces Government. Import duty on yarn is a burden on handloom weavers and spinners, though mitigated

by duty on piecegoods. But the major part of the benefit of protective duty being absorbed by the mill industry, the handloom weavers and spinners are the victims of keener competition. Cheaper artificial silk yarn would help the hand weavers and import duty must be removed. Duty on artificial silk goods may give some protection to the handloom weavers, but due to the difference in quality and peculiarity of demand, there is not much relief to them. To give any real help to such unorganized industries as these, legislative measures will be necessary to allocate certain regions of production and distribution for them with some restriction of production on the power spinning and weaving industry.

Extract from the review published in "The Times of India", dated the 29th June, 1932 (page 15), on the Annual Report of the Central Provinces Industries.—"Owing to the fall in the prices of yarn and low prices of mill-made cloth, the handloom weavers find it difficult to dispose of their output at profitable rates and as a result many weavers are leaving their profession for employment in mills."

25. Since the imposition of specific duty of 1½ annas per pound in September, 1927, the imports of Japanese yarn have fallen off sharply, and it is only mercerized yarn of 64s—84s which is now imported in some quantity. There is absolutely no competition in this kind of yarn.

41. For the benefit of the handloom industry lower duty on yarn will be advisable.

42. It is not only unreasonable but also misleading to the trade to include coloured woven goods in the classification of plain grey, and to exclude grey dhoties therefrom.

43. Import duty on artificial silk piecegoods should not be heavier than that on natural silk goods, *viz.*, 50 per cent. As is mentioned elsewhere, the demand for real silk, which is not within reach of poorer masses, is being satisfied by artificial silk goods at economical prices. Phenomenal increases of consumption of artificial silk goods are now witnessed all over the world. Psychology of consumers is such that they put off the purchase of luxury goods if not obtainable at certain limit. It is therefore a mistaken idea to anticipate revival of trade in fancy cotton goods by checking imports of artificial silk goods.

45. The protective duty on piecegoods was only put into operation on and after 1st March, 1930, and it was then said that the effect would not be felt at least six months due to stock of imported goods. According to reports published in the Indian Textile Journal, July, 1931, many Ahmedabad mills showed very good results for the year ending 31st December, 1930. Whereas Bombay mills have been labouring under unfavourable circumstances, such as repeated hartals of the market, financial difficulties and severe competition of up-country mills. One thing is clear that import tariff, however high it may be, would not bring relief to Indian mills, whose inherent weakness in efficiency and management requires special remedy. Lately, Ahmedabad is also complaining of poor business, which is attributable to heavy fall in the price of cotton, and the reduced purchasing power of consumers, rather than competition from foreign goods, which are subject to handicap of the import duty of 25 per cent. on British goods and 31¼ on non-British goods. We are of opinion that in order to improve the position of the industry as a whole, steps must be taken in the following lines:—

(1) To increase the purchasing power, rationalization of marketing and enhancement of prices of agricultural products require urgent attention.

(2) To encourage consumption, the prices of cotton goods must be reduced to the minimum.

(3) Under the existing circumstance, increase of production is not desirable if cost of production is not reduced, hence heavier duty on cotton piecegoods will do more harm than good.

(4) For the protection of Bombay mills, at least Rs. 50,000,000 should be accommodated by joint responsibility of Central Government and Bombay Municipality at a low rate of interest to finance the reconstruction in the following condition:—

(a) Amalgamation of sound concerns.

(b) Improvement in Managing Agent system.

(c) Revision of Company Act as per Shareholders Association's opinion.

(d) Scrapping obsolete machinery and adoption of new machinery.

(e) Compulsory re-organization or reduction of capital of weaker concerns and transfer of their management to sound concerns.

(f) Better touch of management with labourers.

Calcutta Import Trade Association, Calcutta.

Letter No. 179-M., dated the 29th July, 1932.

INDIAN COTTON TEXTILE INDUSTRY.

The Committee of this Association have perused with interest a letter No. 2339-1932, dated the 20th July, 1932, addressed to you by the Bengal Chamber of Commerce containing an expression of opinion on certain of the matters raised in the questionnaire prepared by the Board in the abovenoted connection.

2. I am directed to say that the Committee of this Association wish to associate themselves with the views expressed in that letter, which have their unqualified support.

Hindustani Native Merchants' Association, Bombay.

Letter without date.

Re INDIAN COTTON TEXTILE INDUSTRY ENQUIRY.

We are directed by the committee of our Association which has a membership list of about 350 cloth merchants and commission agents, to forward to you the following views of our Association in connection with the above enquiry.

It is now almost universally known fact that the Indian Textile Industry has recently been passing through very critical times on account of foreign competition and particularly of Japan.

In December, 1925, after a good deal of persistent agitation the Government of India abolished the Indian Cotton Excise Duties which were greatly hampering the industry. But this small relief did no good to the industry. The effects of the expansion of cotton industry in China and Japan, the currency policy of the Government of India and total loss of foreign trade of Indian mills owing to Japan capturing the external markets and more particularly her keen competition even in the Indian market, began to be felt in their intensity.

All representations to the Government from time to time from the Millowners' Association as well as other prominent public bodies for protection to the industry against this competition from Japan were of no avail. In 1926 a special Tariff Board was appointed by the Government to investigate fully into the matter and to report whether any protection was necessary to the industry. Even the favourable recommendations of the Board have no effect on the Government. Up to 1929 the Government were not convinced

that the industry as a whole was in danger and they, therefore, turned down the suggestion made to them for an additional import duty on yarn and piecegoods to protect the Indian industry. The position of the industry began to worsen year by year till 1927 when some protection was given to the yarn industry by imposing a minimum duty of 1¼ annas per pound on imports on the 16 August, 1927. This protection given to the industry was utterly inadequate and the competition from Japan became keener and keener and the importations from Japan began to increase immensely.

There were several reasons why Japan in spite of having to purchase cotton in India, to pay carriage to Japan and back again could afford to pay a heavy import duty and still undersell the Indian manufacturers here. One of these reasons is the superior efficiency of Japanese mills and consequently the cost of production in Japan is much lower than in India and the depreciation of her exchange gave her a further advantage which enabled her to sell so cheaply her manufactures in the Indian market.

The Government of India persistently ignored the plight of the industry which could not derive any material advantage from the Yarn Protection Act of 1927, as no protection had been granted to weaving section of the industry. In 1929, as a result of further representations to the Government, the Government of India appointed Mr. Hardy to examine the possibility of substituting a system of specific duties for the existing system *ad valorem* assessment of piecegoods and also to report what changes have taken place since the Tariff Board reported in the volume of reports and the class of goods imported and the extent and severity of external competition with the products of Indian mills. His report was published in December, 1929. In February, 1930, the Cotton Industry Protection Bill was introduced and passed in the Legislative Assembly. Since the impositions of these protective duties, the Government of India have twice increased them on piecegoods for revenue purposes.

Since this policy of protection to the industry was inaugurated the Indian cotton mills have made considerable progress in the production of yarns and piecegoods. The production of yarn increased from 883 million yards in 1929-30 to about 960 million yards in 1931-32 and that of cloth from 2,419 million yards in 1929-30 to about 2,990 million yards in 1931-32. The successful attempts at spinning finer counts and weaving superior cloth have also been evidenced during the period by an increased production in these varieties. The protection thus though belated and inadequate has been amply justified by the results.

The advantages due to the protective duties were, however, greatly counterbalanced by the disadvantages of an uncertain exchange and impositions of duty on machinery, stores, dyestuffs, increase in railway freight and the recent heavy and alarming depreciation of the Japanese exchange has been a serious menace to the industry and has enabled Japan to dump the Indian market with her manufactures at prices which are below the cost of their production in India and defy all competition.

The Indian mills are now taking all possible steps to increase their efficiency and reduce the cost of production but in the present circumstances of Japanese unfair competition and dumping policy as stated above, the industry cannot exist and thrive without adequate protection for a prolonged period.

National industry from utter ruin adequate protection for a prolonged period should be given either in the shape of a bounty or by making the import duties on Japanese goods sufficiently prohibitive and to provide against dumping.

Our Committee hope and trust that as far as protection against Japanese imports is concerned, they will support the cause of the Indian industry, but as regards the question of continuing the tariff preference to British piecegoods, we are directed to say that our Committee are opposed to any scheme of preferential treatment being adopted any longer. Whatever preference is given to British goods is done in mitigation of protection

granted to the indigenous industry. The Indian Commercial community cannot accept the principle of Imperial preference in the Indian Fiscal System at the present stage of her constitutional development. As long as we are denied control over our currency and exchange and our fiscal policy, we cannot be expected to enter into any agreement for reciprocal preference.

To impose Imperial preference on India against her will, will be doing a great injustice to India.

The Bombay Textile and Engineering Association.

Statement submitted to the Textile Tariff Board.

The first question that arises in one's mind when considering the necessity of protection to Textile Industry is why such a long established industry should require protection? It is however generally admitted that according to the laws of trade cycles, a period of great boom is generally followed by a period of great depression. In the case of the Indian Textile Industry this depression began to be felt since 1923 and in our opinion the industry has not been able to tide over it yet. In other countries when depression sets in, or even before it, their respective Governments promptly take steps with a view to minimise the evil effects which are bound to follow. The protection to a well established industry always becomes imperative when the industry is threatened with ruin by foreign imports.

Dr. Sidgwick, an eminent authority on the subject, has pointed out that an extraordinary temporary advantage in production possessed by a foreign country may destroy or greatly injure a suitable home industry and that when that great advantage is gone, the cost of restoring the lost or diminished home industry may far outweigh any previous gains through cheap imports (Pol. Economy, III V. F.-2). This in our opinion is exactly what has happened in the case of Indian Textile Industry. The working of double shifts, cheap labour and a depreciating exchange were the temporary advantages which Japan has over our industry. But the Indian Government in spite of repeated warnings of the danger were too slow to recognise the menace it had to the staple industry of India and the protection which was ultimately given was given too late, and was very inadequate.

Later the stabilisation of the Rupee at 1s. 6*d*. and the recent export of Gold from India have also greatly contributed to the depression in the industry. Thus the chief causes from which a need for an extension of protection has arisen are external and outside the control of the millowners and hence an extension of the protection is urgently needed.

We affirm that an industry which supports more than a million persons directly and probably a million more indirectly deserves protection if it is threatened with ruin by a foreign competition.

There are very important things which are to be done in the Textile Industry, but they are left in abeyance in spite of the will to do them, because of the shortage of funds and the heavy losses incurred by the mills. We mention only a few of them.

The high labour costs in Bombay is a distinct disadvantage under which the industry is suffering. The only way of advance in the matter lies in increasing the efficiency of the highly paid labour of Bombay. More schools like the Social Service League School at Parel are required in different centres for the training of operatives.

Such schools will be readily started by the Millowners to train their own workmen and they will be prepared to give them inducement by way of scholarships and bonuses and chance to rise the higher posts like those of jobbers when they are trained at these schools.

In England and other countries the operatives derive a good deal of benefit from the study of technical books which are written in a language which they can understand. In India there exist very few technical books in

vernaculars from which the jobbers and the operatives can derive any benefit. This deficiency can be very easily removed if the Millowners' Association undertakes the publication of such books written by expert Indians. We know that the "Girni Samachar" the monthly Magazine supported by the Bombay Millowners' Association can be made a medium of such instruction.

These books will have to be sold very cheap, so as to be within the reach of the poor and as in the beginning the cost of preparing these books will be high a large fund will be required for these purposes. Incidentally to make these books and Magazines readable by a great number, the illiterate work people will have to be taught reading and writing and with that end in view some primary Night Schools will have to be started by the Millowners but these items along with the previous ones will require large funds and looking to the conditions through which the industry is passing when Bombay mills are making very heavy losses due to unhealthy competition, the Bombay mills can ill afford to spare that amount unless and until they are given some protection against dumping and unfair competition of foreign countries.

Welfare work.—This is much better done in Ahmedabad and in up-country centres than in Bombay. So also the relations between the employers and the employee are much better in those centres.

In Bombay the importance of welfare work has been sufficiently realised nor has there been an opportunity for Bombay Millowners to find out the importance of welfare work on the efficiency of the workmen on any large scale. It is a well known fact that unless this work is done regularly and in a systematic way for a number of years its effects will not be seen properly and this required funds and patience which in times like the present the Bombay Millowners can hardly find to devote, being themselves pre-occupied with their own domestic troubles. It is a matter of common knowledge that the Millowners find it difficult to sell all their productions even at cost and hence they find greater difficulty of financing the concern. At that time unless their minds are at ease by giving them sufficient protection it will be impossible for them to take up this welfare work in right earnest.

Again there is no Labour Union in Bombay which is run on right lines by persons having the interest of labour at heart and we consider that a Labour Union run on the right lines is a great asset to the smooth working of any industry. In the absence of a well recognised Labour Union the Bombay mills suffer great losses in the event of a strike and the recent strikes have shown that with the dragging on of the strike, the demands of the workers increase in a geometric proportion. Such state of affairs where the employees can never put forward their point of view reasonably and adequately and they are led away by stump oratory and labour under false grievances, requires to be remedied as soon as possible.

Before leaving the question of labour we must draw attention to the absence of a labour exchange. The age old custom of the jobbers getting the necessary men still prevails very widely in spite of the efforts of the Bombay Millowners' Association thus giving the jobbers undue importance which is, as is very commonly known, very badly misused. Not only does this system encourage corruption but it raises the jobbers to a status far above to which they properly belong.

The Bombay Millowners have tried their best to do this but the labour and its leaders in spite of their promises to the contrary are not allowing this to be done. This is a very serious handicap for the Bombay Millowners who find it very difficult to make certain improvement even though they have a will to do it.

The Technical and Supervising Staff.—We are surprised to find that not more than a paragraph of fourteen lines is devoted to this most important factor in structure of the industry in the Tariff Board report of 1927. We consider that the Technical and Supervising Staff are the brains of production improvement and efficiency and are often responsible for a good deal of internal organisation. It is in the interest of the industry to attract the

best men to this industry if any improvement in quality and efficiency is aimed at. We suggest that the superior staff should be as far as possible exclusively recruited from technically qualified men and Indians should be employed in preference to foreign persons. We do admit that there are some very able men in the Textile Industry who have come from foreign parts but it is a matter of common knowledge to those who are intimately connected with the Textile Industry that all of these foreigners are not of the same calibre as is found amongst the people, one finds in similar position abroad. Besides the Textile Industry has existed in India for so long that it should be no longer necessary to look to foreign nations for the supply of competent technical men as well as Managers.

When we say that the industry should strive to get hold of better men we mean that an adequate remuneration and a reasonable security by a provision of Provident Fund and Old Age Pension are necessary to attract such men to the industry. Reasonable security will not only induce people to do their best but will also keep them away from the influence of corruption. Members of the Technical Staff should be able to raise—if found competent—to the highest post in the gift of the Managing Agents, as has already been done in some cases.

But all this can be done when the Bombay Millowners have sufficient funds at their disposal to spare. To start a Provident Fund scheme or an Old Age Pension scheme require large sums of money which can only be spared when the mills are able to make some profit which is not the case now. Unless sufficient protection is given the unfair competition of foreign countries will not relax and till this is done the Indian mills and specially the Bombay mills will not be able to make both their ends meet which will necessarily not allow them to take up any of these schemes. Thus it is clear that without continuous and adequate protection Indian mills will not be able to carry out any large scale improvement in the industry even though they wish to do it.

We would request the Board to collect statistical information regarding the frequent changes in staff in Bombay as well as up-country mills and also investigate into the reasons for such changes.

Very vital in the connection is the question of Technical education. It is our opinion that the standard of education imparted by the existing Technical Institutes will have to be increased considerably to bring it into line with the demands made by the Textile Industry.

Raw Materials.—The Indian Textile Industry which is our staple industry should give preference to indigenous materials. At a time when the purchasing power of the country has been going down considerably it becomes necessary, while affording protection to the Textile Industry to support the cotton growing population and the Coal Industry of India as well. If foreign cotton is being used in Indian mills in preference to Indian grown cotton of the same grade, on grounds of cheapness such Indian cotton should be in our opinion be protected from foreign imports, because unless the Indian Cotton Grower is able to dispose off his cotton at a reasonable price, he is not likely to be able to buy the cloth manufactured in the Indian mills.

For the Textile Industry to be completely self sufficing it is also necessary to devote our attention to the improvement in the quality of Indian cotton. A rapid progress in the researches of the Institute of the Central Cotton Committee is required and it is also vital that the fruits of those researches should not be allowed to be wasted but should be put to practical advantage by greater propaganda by the agricultural department and the Committee among the Cotton Growers.

We suggest that the possibilities of forming a Millowners' Syndicate for growing long staple cotton on the land to be watered by the Sukkar Barrage should be thoroughly investigated.

We repeat what we have said in the use of cotton for coal as well, namely the indigenous coal should be given preference to foreign one, as well as to imported fuel oil.

Lastly, we would like to suggest that the Bombay mills are labouring under special disadvantages such as high labour costs and non-proximity of cotton and consuming markets, as well as very high Municipal and other taxes. It seems that nearly all the Bombay mills are making losses while the moffussil mills are making profits. The Bombay mills might have to close down as a result of continual loss and other mills in the mofussil centres will be started to satisfy the country's demand for cloth. This would mean the loss of a huge capital locked up in the Bombay mills and a search for fresh capital for starting mills in the mofussil. Would it not be better if the Bombay mills are shifted to mofussil centres and save so much capital being wiped out?

It would not be reasonable to allow all the capital that has been spent after the Bombay mills to be thrown away? It would be disastrous if such a catastrophe ever occurs. In that case not only Bombay but a large number of people who are depending upon Bombay directly for their maintenance as also those who have invested their money in the shares of these Bombay mills will be ruined and the evil effects of this will be intolerable. Would it not therefore be better to give sufficient protection to the Bombay mill industry so that all this capital which is locked up in the mills and the other allied industries in Bombay may not be lost and the country may not be plunged into an unbearable catastrophe which will ruin her staple industry and at the same time a large portion of the population of India who directly or indirectly depend upon the industry for their existence.

From the above reasons we think that a good amount of protection, and that too for a long reason to come, is absolutely necessary if the country and its industry is to be saved from extinction.

The Grant Road Parsee Association Textile League, *Bombay*.

(1) *Letter dated the 21st May, 1932.*

With reference to the Government of India's Resolution No. 341-T. (150), dated the 9th April last, directing the Tariff Board to enquire into the questions of *inter alia* granting protection to the Indian Cotton Textile Industry, my League has gone through the communique and begs to submit the following statement in that behalf.

In the opinion of my League the claim of the Indian Textile Industry to protection has been established for the following amongst other reasons:—

(1) The Indian Cotton Textile Industry has practically lost hold on the market on account of various factors too patent to be discussed here, some of which are however indicated in the reasons hereafter to follow.

(2) The Indian labour has been acknowledged on all hands to be not efficient and regular as it should be on account of climatic influence and unwholesome habits and customs of such labour.

(3) The Indian labour is never stationary but always emigrating being mostly drawn from agricultural classes.

(4) Most of the machinery in use in the Indian cotton mills not being of the latest type is always found to be lacking in yielding the desired production. This drawback is further enhanced by reason of the 10 per cent. import duty on all machinery and heavy duties levied on stores, sizing materials, dyeing and bleaching stuffs, etc.

(5) The chronic complaint of the 1s. 6d. ratio which naturally takes away 12½ per cent. of the protection given at present to the industry.

(6) Municipal taxes are too heavy.

(7) The most unhealthy Japanese dumping has now become so acute that it actually throttles and almost kills the Indian Cotton Textile Industry. This is facilitated by the Japanese going off the Gold Standard and lowering her exchange from 155 to about 125. Besides, Japanese Government has always rendered all sorts of banking and shipping facilities to the Japanese Cotton Textile Industry and the trade. Further, Japanese dumping of coarse cloths such as Bombay mills produce is so acute that it can be (very easily) judged by the following facts:—

(a) Cotton, to produce such cloths, cost in Bombay at least four annas per pound.

(b) This cotton when cleaned in the "blow-room" loses about 12 per cent.; thus the actual cost of cotton is four annas and six pies at the least.

(c) The minimum cost of Spinning, Weaving, Calendering and Baling in the best of well-managed mills in India amounts to five annas and six pies. Therefore,

(d) The total minimum cost of Indian cloths of 20s warp and 26s to 30s weft amounts to ten annas per pound.

Japan on the other hand buys Indian cotton at the same rate as Bombay mills, *i.e.*, at four annas per pound, ships it to Japan, manufactures it into cloths, sends it to India, pays *half-an-anna* for freight and insurance, *plus* import duty of *three* annas per pound, yet sells the goods at nine annas six pies per pound. It therefore means that the Japanese cost per pound for spinning, weaving, calendering and baling is only one anna six pies only, which is preposterous. We reckon that the selling price of Japanese cloths should be in the vicinity of *thirteen* annas. We will prove our statement by the following figures:—The price of cleaned cotton, after allowing 12 per cent. for loss, will be four annas and six pies per pound. The minimum spinning, weaving, calendering and packing charges will be five annas per pound. Freight and insurance will be six pies per pound and the import duty will be three annas per pound, making a total of thirteen annas.

From these figures it is clearly seen that the selling price of Japanese cloth should be thirteen annas and not nine annas and six pies as is prevalent.

In passing it may be stated that Japan has a High Tariff wall. They do not allow any foreign cloths to arrive in their country. They sell their production in their Home market at good profit and dump the remainder at any price to any part of the world wherever it pays them to dump. We are of opinion that the import duty on all Japanese cloths be raised to 50 per cent. to stop the dumping—

(1) The extreme disparity of Railway freight charges existing between those charged on foreign goods consigned from the docks and those charged on indigenous goods consigned from any one place to another in the interior are also detrimental to home trade.

(2) Unlimited dumping of Japanese goods to the detriment of indigenous goods has increased the Japanese trade in cotton piecegoods in India by leaps and bounds during the last few years.

As regards the form of protection we consider that an increase of duty to 50 per cent. will meet the necessity.

As regards the rate of protection my League is of opinion that a universal rate of protection should prevail against the competition of all foreign goods. However, my League would submit that if any preference is given to the goods manufactured in the United Kingdom, it should be given on finer goods but certainly not on coarser cloths such as India produce.

As regards rates of duty on cotton piecegoods my League would suggest 50 per cent. whereas on cotton and art silk or on art silk, we suggest 100 per cent.

As regards rates of duty on cotton twist and yarn my League is of opinion that on coarse counts 15 per cent. duty should be levied whereas on finer counts, *i.e.*, from 60s upwards the duty should be 10 per cent.

My League submits that such protection is not likely to hamper very much the Handlooms Weaving Industry.

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(2) *Letter dated the 19th July, 1932.*

I have the honour to send herewith the answers to your questionnaire which please acknowledge.

Answers to Questionnaire of Tariff Board (1932).

5. If Bombay mills reduce their prices of cloth the up-country mills do likewise to keep their hold on the market. They are usually in a position to produce cheaper cloths for various reasons, hence they will not mind a corresponding decrease in their selling price.

6. Yes. In spite of existing duties foreign piecegoods are dumped in our markets. Should the duties be withdrawn, foreign goods would get a tremendous impetus to the detriment of indigenous goods, causing cessation of many additional mills and increasing the number of unemployed.

11. (A) Yes. Japan will flood the market with her piecegoods. It is a very well known fact that Japan mixes foreign cotton with Indian cotton for the manufacture of her cloth. Thus, a part of the cotton in all Japanese cloths will not be bought from India, whereas, Indian made cloths are exclusively from Indian cotton, except finer sorts.

(B) Indian mills have made a marked advance in finer sorts during a very short period. They were encouraged partly by the present duties. Should duties be enhanced we consider that it would mean more production of indigenous cloths which would create a demand for long staple cotton produced in India.

13. (*a*) Shirtings, sheetings, longcloths, drills and twills, dhoties, besides this, printed and art silk goods from Japan adversely affect our markets.

27. A mill should have 30,000 spindles and 1,000 looms or in such proportion to consume practically all the yarn produced. The average counts to be spun should be 20s to 24s for shirtings, chadars, etc. The annual yarn production would be about 35 lakhs pounds, whereas, the cloth annual production will be about 44 lakhs pounds. (35 lakhs is got on 6 ozs. per spindle × 26 days × 12 months. 44 lakhs is got by 14 lbs. × 26 × 12).

29. $2\frac{1}{2}$ per cent. on buildings and 5 per cent. on machinery. (1) These rates are fair. (2) 3 per cent. and 10 per cent. for double shift seems fair.

31. Banks in India do not give the facilities as desired and that banks in other countries offer better terms. The rate is about $7\frac{1}{2}$ per cent.

33. Costs are not given but several mill agents are connected with mill stores and machinery as well as cotton firms. Rates are unknown.

35. (A) Labour should be unchanging; this can be achieved by offering a bonus at the end of every year of their work for regular attendance and good behaviour. Monthly prizes in all departments must be offered for highest efficiency. Legitimate grievances of workmen must receive sympathetic consideration. Substantial reductions in cost would accrue by discarding antique machinery. As far as possible one or at most two makes of machinery should exist in each department. Particular attention is drawn to the latest types of machinery such as Casablanca. Four Roller or High Draft System in Spinning and High Speed Warfing and Winding as also automatic looms in weaving. The first lot does away with a whole process, without any deterioration in the quality of the yarn. In fact the yarn is more uniform and has better test. The latter group produces a better quality of cloth. The most important factor is the cotton. This must be of the right quality for the counts. The practice in many mills is to go as

fine as possible on all classes of cotton which results in bad yarn, bad cloth, low production with maximum of exertion of the worker.

(A) I. It is most improper and unjust to "standardize" the muster roll or the rates. The following reasons will support this statement. Firstly, the layout, machinery and working conditions vary in all mills. Then again the cotton consumed and the quantity of stores purchased in all mills vary considerably. It is quite natural that where the layout, machinery and conditions are good, and where a better class of cotton and stores are used, one will get more production than another who has not the same advantages. In fact it would be quite possible for an indifferent worker to get as much production or even more as the efficient worker labouring under the other group, *i.e.*, bad cotton and stores coupled with bad outlay, machinery and uncongenial conditions.

(A) II. It would be better if spinners were paid on production. But this can only be fair when a better class of cotton is used. Otherwise spinners should be paid per doff, irrespective of short weights due to breakages. If the cotton is not of a better type, additional spindles to spinners will not pay.

(B) Yes, subject to the following conditions, (1) Automatic looms be introduced, (2) Conditions in the shed should be improved by artificial means (*i.e.*, foul air should be expelled and the temperature and humidity should be proper), (3) By employing a certain number of spare jobbers and boys to assist weavers in "gotting up" beams, repairing smashes and doing minor jobs, the boys to bring weft to the weavers and return their empty pirns, (4) The weaver's beams must be perfect or at least good as it affects labour and efficiency. It may be stated that one of the causes of bad beams is due to shortage of slashers or sizing machines in some mills.

(C) Improvement in the condition of machinery, consumption of best materials and discipline where there is low efficiency due to supervision will create good economy in the preparatory departments.

(D) Competent weavers be paid a fixed monthly wage for a couple of months to get used to these looms. Intelligent line jobbers and fancy jobbers be given special training for a short period under expert supervision in an institute opened for the express purpose of training labour. This class of labour should get 50 per cent. more wages than the ordinary sort.

III. Schools of the type above mentioned should be increased in mill centres.

IV. If the mill specialised in certain sorts, the men would be more efficient the wastages would be less in yarn and cloth due to bad weaving, dyeing and finishing. A smaller staff can manage the work efficiently. Besides the quality of cloth can be standardized. There are not many difficulties which have to be met before specialization takes place. Special or drastic changes are necessary in a few sorts only. Manchester mill furnishes one such case.

V. The existing organisation of mills in general is far from being satisfactory in many cases. Some of the reasons are (1) Indifference of agents towards the technical side, (2) Wanting in proper supervision, (3) Engaging clerks and accountants in managerical posts.

By amalgamation or grouping of mills there will be no improvement unless and until heads of various departments are persons of impeachable character and highly qualified technically. These men should be selected irrespective of colour, caste or creed.

VI. They should make it a point to know something on the technical side. They should at times check costings. They should know their stocks of cotton, yarn and cloths lying in their godowns as sold or otherwise. They must at times go to the market to make personal investigations about his cloth quality and prices.

VII. The "personal touch" is wanting. Agents should not have too many irons in the fire. They should have their head office at the mills and not in fort.

VIII. Yes.

IX. Yes, it is absolutely necessary. Strong reserves must be created for paying dividend in lean years and for replacing old machinery as well for extension. Agents prefer to give higher dividends for more than one reason.

X. (a) The Japanese system should be followed.

(b) They should have at all important centres something like a small "India House" in England. They should have guarantee brokers at all these centres. The Agents themselves should visit these places at least once a year to learn on the spot why their goods are not preferred. They should advertise their goods by cinemas, etc.

XI. Conciliation Committee should exist in the mills. All broad questions should be discussed prior to any changes. This Committee must not be "packed". All Registered Trade Unions should be asked to co-operate with the Agents. The Agents must persuade their technical staff to join Trade Unions. Trade Unions must be given donations to win their sympathy as it is an important factor in the decision of strikers. Agents must lend money to the extent of 75 per cent. of the mill hands earnings at a nominal rate of interest, say 9 per cent. per annum. They should also undertake to provide rations at cost-price a fortnight's privilege leave on full pay must be given to all after one year's regular attendance and good conduct in the mills. Provident Funds, Old Age Funds and Unemployment Funds must be registered in all mills at an early date.

36. Yes. Much "window dressing" is practised in the balance sheets. The form of balance sheet must be standardized to allow comparisons with other mills. The voting power of the agents must be curbed. The abuse of "proxies" must be mended. There should be a sliding scale for voting. The scale suggested is as follows:—

> 1 shares—1 vote, 2 to 3 shares—2 votes, 4 to 10 shares—4 votes, 11 to 100 shares—10 votes, over 100 shares—50 votes.

There must be a Government expert to see if the depression and other funds are rightly utilised. Provident funds must exist in all mills and they must be registered. Cotton contracts made by the agents must be in the name of the Company and not in his own name. All cotton contracts must be registered the same day in a Government office kept in the Cotton Bazar. All auditors must thoroughly examine the list of contracts before certifying the report. It should be made criminal for Agents and Directors to give their shares to members of their staff or friends, in name only, to create votes under their control. A hundred or more shareholders may apply to the High Court through any one of them at the cost and risk of the representative, to get removed, any agent or director who is found to be involved in any illegal transaction. The Agent or Director shall defend the same at his own risk and cost, without any recourse to the Company's fund.

Directors and auditors must be the real representatives of the shareholders and not in a theoretical sense. Articles of Association of the mills must be amended to prevent the agents from doing any business foreign to or not directly connected with the mills.

37. Yes. Japan is benefited by inferior labour conditions.

38. The present fall of the Yen is playing havock. Should the artificial manipulation succeed in stabilising the Yen at present, then the Cotton Industry is doomed, unless Government step in and give adequate protection in way of increased import duty in proportion to the advantage of the Yen taken by Japan.

39. Yes. The protection should certainly continue. (II) The duty be raised by an additional 30 per cent. (III) For five years provided the Yen works against India but as soon as the Yen stabilizes at its proper level, the duty should be decreased correspondingly.

Jamiatul Momin, Bombay.

Letter No. 183 of 1932-33, dated the 15th July, 1932.

In reply to the questionnaire relating to the enquiry into the Cotton Textile Industry issued by you, I have the honour to state as under:—

Before touching the points mentioned in the questionnaire pertaining to handloom industry with which we are directly concerned, I take the liberty of giving a short account of the weaver community. In the whole of India only the Muslim weavers number about 3 to 4 crores. Number of Hindus and other non-Muslims who may be following or may have once followed this profession must be even more than this. While only in the Presidency of Bombay the number of weavers both Hindus and Muslims will be somewhere between 8 and 10 lakhs.

The importance and magnitude of this industry can be gauged from the fact that of the total quantity of cloth annually consumed in this country about one-third is produced on handlooms, about one-third is manufactured on powerlooms while about one-third is imported from foreign countries. It is obvious therefore that hand weaving is still one of the leading industries in this country. In spite of our being in greater majority than any other industrial community of this country and our industry being one of the most leading industries of the country we have been made to suffer a sort of social and financial humiliation at the hands of the educated and Zamindar class of persons.

Keen competition from within and without from the commencement of the present civilization in India have forced us to give up our profession bit by bit and seek for some job mostly menial only to keep our body and soul together. Otherwise we are the same artisans who have once earned the approbation of the Princes and Royalties of Europe for producing the finest muslin well-known all over the world as Dacca Muslin, etc.

Sir, the cloths that we exported to Europe and other civilised countries were not only used for clothing purposes but they also served them as samples to copy. With ample money and mind at their back the much backward weavers of Europe were in every way encouraged to master the profession. The result was that they invented machines of various types and thus produced much finer and better cloths within the least possible time and costs.

Thus you will see that by and by our products purchased by Europe and other countries became less and less till at last it was not only totally stopped but on the contrary their products were introduced in our homes at the detriment of our industry. Result of this is quite obvious, *i.e.*, we the weavers were forced to give up our profession because we could not compete with their cheaper cloths. However a majority of us still went on with the profession because our own country-men were patronising our industry. But this hope of our continuance too was shattered with the opening of textile mills in India itself with experts at the helm of their affairs and full resources by their side.

Day by day with the introduction of varieties of cloths imported and turned out by the Indian mills we receded and confined ourselves in narrower and narrower circles till some 30 years back we had nothing but two or three types of cloths left to decide our fate. However, being content with what was left for us we carried on our profession of course with our bellies and those of our dependents only half filled. Day after day poverty and destitution visited us and our families who went on being reduced to mere skeletons because even after working the whole day we did not get sufficient return for our labour even to feed ourselves fully.

However, having patiently borne all the scourges at the hands of our own country-men we anyhow were passing our numbered days when some of the Millowners being not content with what they were hoarding, devised means of striking us with further miseries by preparing saris, patals, choli

khans, etc., the only products to which we had been narrowed down. Sir, our lot has become very miserable now. We, the weavers who were considered to be a respectable race at one time are now looked down upon owing to our being reduced to almost a cipher as far as our industry and its prosperity are concerned.

I have described these states of our community as they are for the present. And it is not only our feeling and experience but many others also have felt similarly and finding it intolerable have given expression to their feelings. As for example :—

(1) Mr. G. D. Fernandes who was deputed by the Government of Bombay to carry out a survey of the Art Crafts of this Presidency in July, 1926, says on page 2 of his report on Art Crafts of the Bombay Presidency, 1932, that " the condition and poverty of the striken artisans who by their hand labour were producing saris for ordinary daily wear, were most shocking. They had to live a hand-to-mouth existence as their trade was threatened with extinction by the superior and more organized competition of the Sholapur mills ".

(2) The same author further says on page 20 of the same report that " textile mills have made very great strides and other industries have progressed during the last decade and keenness of the competition produced thereby is making it more and more difficult for the handloom weaver to maintain himself ".

(3) Director of Industries for the Bombay Presidency in his annual report for 1929-30 says that " there can be little doubt that this (*i.e.*, the drop in the weaver's wages from about 5 to 10 per cent. in 1928 and in 1929) is largely due to the mill competition and trade slump. The former has no doubt been made keener by the advantages enjoyed by mills in the form of increased duty on yarn ".

We must say that a member of the depressed class is much better than we the Muslim weavers. Everykind of facility is being extended to them because not only the Government is anxious to do this but also their representatives in Assembly, Councils and Public Bodies where they have been specially nominated by Government fight out their causes and acquire many concessions for them as possible.

It is not true that Government has not extended such facilities to Muslims who too are considered to be a backward community. But the thing is that the facilities and honours offered by Government have been enjoyed by Muslims who are not weavers and since they are not weavers they do not know whether the shoe pinches us at all or not. Even if they care to know our distress they have never tried to remove it; for from the files of the proceedings of the Governor's Councils and Assembly you will see that never any attempt was made to give our industry any protection except the only resolution moved by one of our elected Councillors Mr. Sheik Abdul Azeez, B.A., LL.B., Vakil, of Dhulia. Hence it is because of these miseries and sufferings that taking advantage of the opportunity offered by the kind *members* of your Board we entreat the Board to give our handloom industry at least so much protection as to enable us to be what we were 30 years back. We have already shown as to how some 30 years back we were confined to preparing only saris, patals, choli khans, etc., which too we have been deprived of by certain mills. Hence if with your help and at your recommendation the Legislature prohibits the mills from preparing saris, patals and choli khans the loss suffered by the handloom industry will be much regained and lakhs of people of only this presidency who have been thrown out of their pit looms only to add to the poverty of India will be reinstated in their pits with the shuttle flying from one end of the loom to the other.

If however restrictions upon the productions of these kinds of cloths in mills is not possible we hope you to at least recommend for the levying

of protective duty on them so that in the open market we may be able to complete with them. I call it protective duty because just as the Millowners have obtained protection from the foreigners by getting a protective duty imposed upon the imported goods, yarns, etc., similarly we the handloom weavers entreat you to protect us from the Millowners either by prohibiting them from preparing saris, patals, choli khans, etc., or by imposing a protective duty of 30 per cent. on such products of the mills, so that we may be able to compete with them in the open market. It is very likely that the public when they come to know this proposal of ours may misunderstand us and without passing to give due consideration to our demand may hasten to condemn us. Hence it is for their information that I desire to repeat once more that day after day we the weavers have been deprived of our profession bit by bit till some 30 years back we were confined to the preparation of only saris, patals and choli khans, etc., and that too the public will be surprised to learn we are now being deprived of by our Indian mills. Hence if we do not get at least this much protection through the recommendations of the Tariff Board and the subsequent legislation the public should note that crores and crores of their country-men both Hindus as well as Muslims will starve and add to the poverty and miseries of India.

Secondly, Sir, you will see from our replies to the questionnaire (separately attached herewith) that the weavers have been using mostly foreign yarns. It is not so because we have any special liking for foreign articles when every country of the world is clamouring for home made ones, but it is because they are cheaper and finer than the yarn prepared by Indian mills, and in the market the demand for finer and cheaper goods is on an increase. On this account we would also request you to protect our industry by recommending to the Government to reduce duties on yarns of particularly 16s to 50s counts, and recommend this to remain in force till the Indian mills prepare equally fine, cheap and durable yarn.

Before concluding this representation I would put before the Board a few suggestions for the protection of handloom industry. They are:—

(1) Raw material depots and stores department should be opened by Government in different districts to look after the needs of weavers by supplying dyed, bleached and grey yarns, healds, reeds bobbins, loom parts and other essential implements requisite to the weaver at cost price. A Central Department to be located in some convenient place and this centre should supply materials to the different centres in a Presidency.

(2) The Government should try and effect complete liberation of the handloom weaver from the clutches of the sowcars or money-lenders who reap the lion's share of the benefit out of the workmen's labour.

(3) Bureaus and sales rooms: In order to find markets for the manufactured goods of the weavers, there should be bureaus in centres of weaving. The bureaus should buy and sell for the weavers. In certain cases where a weaver brings his articles for sale the article be placed in the sales room with a fixed price, and the weaver be paid a certain portion of the value in raw material and the remaining in cash. There must be a central bureau in Bombay the gateway of India. Thus the weaver will not run into debt and profiteering by middleman will be prevented.

(4) For the protection of the handloom industry recommendations may be made to abolish the extra tax imposed upon foreign yarn.

(5) Either the production of saris, patal and choli khans be prohibited to be produced by Indian mills or 30 per cent. protective duty be imposed upon the saris, etc., manufactured by mills.

Having submitted these suggestions I leave them to the members of the Board for their kind and sympathetic consideration and recommendation to the Government to extend to us these facilities and thus allow the handloom industry from dying out completely. Before concluding I beg to say

that our Jamiat is not unaware of the efforts of the Government for the protection of this industry which are:—

The Government of Bombay through their department of industries has been rendering valuable helps to this industry by means of conducting 8 to 9 weaving schools in various cities of this Presidency, demonstration classes, and by giving scholarships and prizes to the deserving *bona fide* weavers; the Government of Bengal has only last year passed a Bill called the Bengal State Aid to Industries Act which aims at developing cottage industries and reviving those in state of decay by extending help in a number of ways.

Our Jamiat is very much thankful to the Government for having done so much for the revival and protection of our industry. We are however confident that our industry will not receive all the benefits they may be desired for it unless the Government helps us by carrying out the suggestions mentioned above, particularly Nos. 4 and 5 and the principles of which have been adopted by the Legislative Council of Bombay (*vide* Bombay Legislative Council Debates, Vol. XXXII, part VII).

With these submissions as per directions from the Jamiatul Momin (Muslim Weavers Association), Bombay No. 8.

Southern India Textile Association, Coimbatore.

(1) *Letter dated the 23rd June, 1932.*

With reference to the question regarding protection specially to the mill industry, our Chamber has passed a resolution supporting the idea of protection by Tariff and other devices which I enumerate below:—

1. India being an Agricultural country and a handloom weaving country, protection to textile industry must be given for the consumption of Indian products as much as possible. Even with the present Tariff on yarn and piecegoods, countries outside India are successfully competing with Indian products due to various reasons on which other countries are subsidising these products by the help of their Government. Therefore, it, beyond doubts, establishes the fact that some facilities should be accorded by our Government. Therefore, we cannot but recommend an effectual tariff for the improvement of the local industry, as well as consumption of the agricultural products and lastly the revenue for the Government.

2. The present duty on yarn is 6¼ per cent. or 1⅞ annas per lb. This is inadequate as over 30 millions lbs. of yarn are still imported. The indigenous production is however about 900 millions lbs. Even if the yarn between 40s and 60s is protected the handloom will not suffer as the import is only 5 millions lbs., while internal production is about 22 millions lbs.

3. The indigenous industry is only now showing signs of improvements since protection was granted, especially in dhoties, cambrics and lawns, shirtings, cambrics and lawns, shirtings and sheetings which shows that the industry can ultimately stand on its own legs after some years and so it is absolutely necessary to continue to be protected for a period more, say, for 10 years.

4. In plain greys, Japan's position is still strong as even with a new surcharge they are heavily competing so that the protection as the present rate of 31¼ per cent. or 4⅜ annas per lb. for non-British goods should continue. In the case of British Grey with preferential tariff our present trade is not encouraged and if the duty is reduced it might affect local production. The preferential duty so far operative has not benefited the British textile industry and there is no harm to India in its continuance, but as a policy on principle it cannot be accepted by the Chamber and if the whole question of imperial preference is brushed aside, it cannot be conceded in the particular case of plain grey cloth. If however very heavy import duties are levied on all imports of cotton goods then probably as a

matter of bargain, though not of principle, a slight reduction may be made in the case of some special British cloths. In white piecegoods, Britain's supremacy remains unchallenged in the Indian market so that the duty will have to be enhanced in this item by 5 per cent. in order to encourage the present tendency of the Indian mills to buy foreign cotton for high class goods. In printed and dyed goods the menace to Indian industry is equally great from Britain and from Japan but since the Indian mills appear to take some time to replace imported varieties it would not be advisable to place any heavier burden on the consumer than at present. The present duty ought to continue in this item. To encourage industry in finer counts say about 40s, long stapled cotton is required; but at present by the introduction of ½ anna per lb. import duty the position has reversed; and it has helped foreign yarn importers to stand in our way by heavy competition as such and all measures to abolish cotton import duties should be recommended in the case of cotton above staple of one inch.

5. Imported mixtures of cotton and artificial silk piecegoods are making phenomenal headway at the expense of local cotton piecegoods and the duty on them might be increased from 34⅜ per cent. to 50 per cent. as for pure artificial piecegoods (silk).

6. The Indian hosiery industry requires to be protected by an increase in the duty from 25 per cent. to 50 per cent.

7. There are other various ways in which the indigenous textile industry should be helped, such as the following:—

(a) Fumigation arrangements for American cotton should also be made in Madras and Calcutta.

(b) Duty of 10 per cent. on machinery and dyes should be abolished.

(c) The Railway freight in inland trade of cotton, yarn, piecegoods and coal should be reduced by 25 per cent. at least.

(2) *Letter dated the 17th July, 1932, from the Southern India Textile Association, Coimbatore.*

As regards the questionnaire that has been issued by you in connection with the enquiry into the Cotton Textile Industry, I have the honour to state that I fully endorse all that has been stated by the Millowners' Association of Bombay in their representation dated the 21st May, 1932, to the President of your Board. I have also sent you a memorandum regarding the whole question on the 23rd June, 1932, and I do not think that besides what is contained in the above documents there is any particular subject on which my replies will be of any special use. As for the report of Mr. G. S. Hardy the conclusions arrived at by him are holding good more or less even now and I generally approve of them. The percentage of yarn and cloth produced in India to the total quantity consumed in the country has considerably risen since that report though as regards some particular qualities, the imports from Japan especially have increased a little.

As regards points raised in question No. 11, I am emphatically of opinion that any reduction in the working of the mills both in the spinning and weaving lines will seriously affect the interests of the cotton grower. The district of Coimbatore grows a very large quantity of cotton including the Combodia and Karunganni varieties and, what is more, this district has got a very large number of handlooms and their number in the district will not be less than 10,000. It is also a well-known fact that Tiruppur, one of the important cotton centres of this district, is famous for its khadi production also. In spite of the fact that the working hours in textile mills and the number of hands employed in them have been increasing, still the price of cotton has gone down considerably with the result that the acreage under cotton is going down very fast in this district and I believe the same to be the case in the other districts also. We have had this year the unfortunate fact of a large quantity of American

cotton being imported in this country in spite of the import tax levied on it and all these coupled with the fact of the world depression have made the people of this district and other cotton districts in this presidency suffer untold miseries. Everyone therefore who knows the industrial condition of this country and the huge production of all raw materials is convinced that ours is a country which need not depend on foreign countries for any of its raw products and it need not even think of securing foreign markets for its manufactured goods that it should not at the same time be enabled not to expect any supply of manufactured goods from foreign countries. For this the Government should see that proper steps are taken to levy the necessary protective tariff against all foreign goods which can all be manufactured in India itself. *Such being the case, let us take the case of cotton goods; India grows plenty of cotton. It has got a large number of handloom weavers and the number of textile mills is also growing. If therefore all foreign imports in textile goods are practically prohibited by high tariff the ryots in India and the handloom weavers as well as a large number of people employed in the mills will have sufficient means of earning their livelihood with the result that though the Government may lose a little out of its present import duties, it will as a compensation get enough from increase income-tax and the ryots will also be able to pay the Government kist more easily and more regularly than at present and the general improvement in the financial condition of the country will be an additional and valuable asset in favour of the Government. The people in this country are generally satisfied with the ordinary cloths though they may not be of high fine texture. It will not therefore do any harm to this country if cotton goods are not allowed to come into the country from England and other foreign countries. It is sometimes said that India does not produce a sufficiently large quantity of fine goods and that therefore heavy import duties need not be levied on such goods which come generally from England but I think that people are likely to purchase fine goods as they will be then cheaper than locally manufactured coarse goods and therefore these fine goods will come into competition with the local coarse goods and it is therefore highly necessary that the fine goods also should be prohibited from coming into the country as much as possible. Even if the foreign imports are practically prohibited there is no fear of the consumer suffering very much because not only will there be a competition between the handloom cloths and mill cloths and there will therefore be absolutely no chance of the price going up very high. Our experience in fact has been that on account of the financial depression Millowners are ready to sell their manufactures without much profit and at times even at a loss with a view to get some cash and this will continue till the financial position very much. One other fact that should also be remembered in this connection is that the foreign countries purchase cotton in India only for about three months in the year while the mills in this country are purchasing it practically throughout the year. The ryot will have therefore an advantage if he is able to sell the cotton at any time during the year and this will be the case if there is a good demand for it on the part of the Indian mills. Though the mills in Bombay and Ahmedabad require some foreign cotton to manufacture higher counts of yarn and are therefore against any import duty on cotton, the ryots in this district in fact in the whole country will be glad if the import duty even higher than the present one is levied on all imports of cotton and if it is desired that the Bombay mills require some help in the production of higher counts, then an exception may be made if possible in the case of some specific cotton of long staples, and in that case it will be enough if they pay the present import duty without paying the additional tax. I may also add that on principle my association is against making any preference in favour of any textile goods from Great Britain, but as a matter of policy and bargain, I will have no objection if a little favour is shown in the case of fine goods imported from England provided prohibitive duties are levied on all imports from every other country. I would also urge that with a view to help the Textile Industry all import duties on parts of textile machinery and dyes should be removed

and the present railway on cotton and cotton goods should be reduced by at least 25 per cent.

On the whole, I am of opinion that with a view to protect the interests of everybody in this country, high import duties of cent. per cent. should be levied on all cotton and silk goods either in the shape of yarn or in the shape of cloth imported from any foreign country, but in the case of fine goods imported from England, it may be reduced to 75 per cent. I am also for increasing the import duty on cotton except in the case of cotton required for manufacturing higher counts if such a thing is possible. If this is done, I would agree with Mr. Hardy that only *ad valorem* duties should be levied and no specific duties will be necessary. I want finally to emphasise that in this country there is not much differences between the producer, the middleman and the consumer because in the joint family system and in the village system of our country every family may be said to be interested in the production of cotton and of textile goods and also to some extent in the distribution of these things.

MGIPC—L—121STB—6-10-34—275.